Unit B: Understanding the Purpose of Record Keeping for Agribusinesses

Lesson 3: Understanding Balance Sheets, Cash Flow, and Income Statements

WS: 3-1

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Dan Miller, owner of Sunnyside Dairy began planning his agribusiness in 2007 and started saving money from his job for his new agribusiness. He was able to borrow $100 from a friend in January 2008 to start his operation. He purchased 3 bred nanny goats, milking pails and supplies for storing and selling milk. In April, the nannies gave birth and Dan sold 4 of the kids and kept 2 to feed and sell in the fall. While feeding the nannies before they began producing milk, he paid the bills from his own money that he had saved. As he began milking the goats and selling the milk, he paid himself for the labor he was putting into the business. Now, Dan wants to know how well Sunnyside Dairy is doing. He is considering purchasing more goats if it would help the health of his business.

Balance Sheet

Balance Sheet						
Sunnyside Dairy						
Date ___31 December 2008_____						
Assets				**Liabilities**		
Current Assets				**Current Liabilities**		
Cash	$7			Accounts Payable		
Accounts Receivable	$5			Loan Payments	$20	
Inventory	$10			Rent Payments		
Total Current Assets	$22	(1)		Total Current Liabilities	$20	(4)
Long-Term Assets				**Long-Term Liabilities**		
Machinery and Equipment	$25			Mortgage		
Animals for Breeding	$75			Loans	$80	
Land owned						
Buildings owned						
Total Long-Term Assets	$100	(2)		Total Long-Term Liabilities	$80	(5)
Total Assets (add lines 1-2)	$122	(3)		**Total Liabilities (add lines 4-5)**	$100	(6)
				Net Worth (3 minus 6)	$22	

Income Statement

Income Statement						
Sunnyside Dairy						
From Date __1 January 2008___ To Date ___31 December 2008____						
Revenue						
Cash						
Commodities sold:..........................$		250 (1)				
Custom work: ....$		(2)				
Exchange						
Commodities sold:..........................$		60 (3)				
Custom work: ....$		(4)				
Change in inventory ....(+/-)		50 (5)				
Value of agribusiness production (Add lines 1-5)...........................$					395 (a)	
Expenses						
Cash						
Operating expenses......................$		288 (6)				
Exchange						
Operating expenses......................$		(7)				
Total opearating expenses (Add lines 6-7)..$					288 (b)	
NET AGRIBUSINESS INCOME (a minus b)......................................$					107 (c)	
Non-Business Income						
Wages from non-business activities..........$			(8)			
NET NON-BUSINESS INCOME (Transfer line 8).........................$					0 (d)	
NET INCOME (Add lines a-d)..$					107	

Cash Flow Statement

Cash Flow Statement

Sunnyside Dairy

Actual

Date From __1 January 2008____   Date To __31 December 2008_____

	January	February	March	April	May	June	July	August	September	October	November	December
Previous cash balance	$10	$0	$0	$0	$35	$20	$20	$20	$20	$20	$20	$95
Operating Income:												
Milk Sold				$15	$15	$15	$15	$15	$15	$15	$15	$15
Goat Kids Sold				$40								
Wethers Sold											$75	
Capital Income:												
Loan	$100											
TOTAL CASH AVAILABLE	$110	$0	$0	$45	$50	$35	$47	$47	$47	$47	$110	$110
Operating Expenses:												
Rent for Pasture	$5	$5	$5	$5	$5	$5	$5	$5	$5	$5	$5	$5
Feed	$10	$10	$8	$5	$5	$5	$5	$5	$5	$5	$5	$10
Labor					$20	$5	$5	$5	$5	$5	$5	$88
Capital Expenses:												
Nanny Goats	$75											
Milking Equipment	$25											
TOTAL CASH REQUIRED	$115	$15	$13	$10	$30	$15	$15	$15	$15	$15	$15	$103
CASH AVAILABLE LESS REQUIRED	-$5	-$15	-$13	$35	$20	$20	$20	$20	$20	$20	$95	$7