

Unit B: Understanding Record Keeping for Agribusinesses

Lesson 1: Realizing the Importance of Record Keeping

Terms

- Commodity
- Credit
- Earning
- Enterprise
- Financial Records
- Inventory
- Net Worth
- Physical Records
- Profit
- Transaction



Uses of Agricultural Business Records

- Determine earnings
 - Earnings are received as return for work done or ***commodity***, or good, sold.
 - These earnings can be in the form of money, other goods, or other services.
 - A commodity is an economic good, in this case, an agricultural good.

Uses of Agricultural Business Records

- Determine profit and loss
 - Profit is a valuable return from a business *transaction*, or exchange. A transaction is also defined as a transfer of goods, services, or money from one to another.
 - Profit and loss are the difference between earnings and expenses. It is calculated by subtracting costs from the earnings.
 - If earnings exceed the costs, a profit is realized.
 - If costs exceed earnings, a loss is realized.

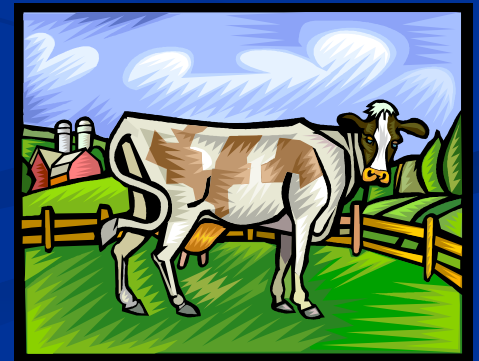
Uses of Agricultural Business Records

- Determine financial progress or net worth
 - Net worth is the value of a business.
 - This value combines all debts owed, commodities on hand, items owned, and cash to determine the business's net worth.



Uses of Agricultural Business Records

- Determine the profitability of enterprises
 - An **enterprise** is activity surrounding one project in a business. One business may have several enterprises.
 - Examples might include: Vegetable, Livestock, or Dairy Enterprises



Uses of Agricultural Business Records

- Determine where improvements can be made
- Assist with planning



Uses of Agricultural Business Records

- Provide information needed to obtain credit
 - Credit is given by banks or organizations to individuals or businesses in the form of money. This money may be used to start a new enterprise or improve an existing enterprise.

Uses of Agricultural Business Records

- To provide information that may need to be reported to organizations
- Preserve information for future reference



Functions of Record Keeping

■ 1. For reporting purposes.

Businesses need to keep accurate records in order to report to organizations that need this information.

- Extension representatives, banks and organizations giving credit may require this information.

Functions of Record Keeping

■ 2. Management information.

Includes cost per unit of production, yield per hectare, and inventory turnover.

- *Inventory* is the number and value of the goods owned by a business. They are the goods and materials that are in final product form or used in making the final product.



4 Steps to insure accurate and usable records

- 1. **Study** the record keeping system selected before implementing it.
- 2. Make complete record entries on a **regular basis**. Include date, quantity, description, and the person or firm with whom transaction occurred.



4 Steps to insure accurate and usable records

- 3. Keep records up-to-date when cash transactions and trades are made. It is important to *record these immediately* as they can easily be forgotten. Having supporting documentation and accurate records for these sales and exchanges are important.
- 4. Keep both *financial records*, list of money owed and money received, and *physical records*, list of items owned by the business

Review

- Why are records important for the planning and continuity of an agricultural business?
- Identify the two functions of records.
- What are the 4 steps to insure successful record keeping?