

Unit B: Understanding the Purpose of Record Keeping for Agribusinesses

Lesson 2: Developing an Adequate Enterprise Record Keeping System

Student Learning Objectives:

Instruction in this lesson should result in students achieving the following objectives:

1. Identify components of a record.
2. Understand factors to good record keeping systems
3. Identify 4 types of records.

Recommended Teaching Time: 1 hour.

Recommended Resources: The following resources may be useful in teaching this lesson:

http://aged.ces.uga.edu/Browseable_Folders/Curriculum/Lesson%20Plans/Agricultural%20Business%20and%20Management-01411/01411-02.2%20Record%20&%20Accounting%20Systems.doc

<http://www.gofso.com/Premium/BS/fg/fg-Records.html>

<http://www.merriam-webster.com/>

List of Equipment, Tools, Supplies, and Facilities:

Writing surface
Copies of WS: 2-1
Copies of LS: 2-1 (two pages in length)
Copies of Enterprise Record (2 per student)
Copies of Expense Record
Copies of Income Record
Copies of Inventory Record
Identical sets of fact cards for the "Clue" game (one set for each group of students)

Terms:

Barter	Heading
Basic Financial Record	Inventory Record
Body	Non-Capital Goods
Bookkeeper	Page Number
Capital Goods	Row
Column	Title
Enterprise Record	
Entry	
Financial Statement	

Interest Approach:

Hand-out WS: 2-1, one day prior to beginning this lesson. Ask students to keep track of the foods they eat. A short review of lesson A-2, Objective 2 may be needed. This should be accomplished by asking students to discuss and write down examples of foods in each category.

Use these food records to discuss what students ate. Possible discussion questions include:

1. *What do these records tell you?*
>*What can you learn about your eating habits by looking at these records?*
-How many different times did you eat?
-How many foods from the bread and grains category did you eat?
>*Can you tell if you are getting the nutrients your body needs?*
>How can you tell? (Did you eat foods from each category?)
2. *What could you learn by looking at someone else's records?*
Possible Answers: you could learn about their eating habits, how much they eat, how often they eat, if they are getting the needed nutrients, and so on.
3. *What would happen if someone didn't keep good records?*
Possible Answers: you could not see a true representation of what they eat by looking at their records, you could not analyze anything about what they eat because the records are not accurate

Summary of Content and Teaching Strategies

Objective 1: Identify the three components of records.

Anticipated Problem: What components make a record accurate and usable?

- I. Three components must be included in all records to provide accurate and adequate information. These components assist individuals in finding records quickly and making record entries in an effective manner. The **bookkeeper** is the person who records information in the records.

The title of the food record used in this lesson is "Food Items Eaten on _____"

- A. Each record must include a **title**. A title is a short name that describes the record and the information that the record contains. It may also contain the name of the agribusiness.
 1. The title should be located at the top of each page of the record.

The body of the food record is all the information located in the table.

- B. The **body** of the record contains information that has been or will be recorded. The body is a collection of several pieces of information. Making an **entry** is recording each piece of information.

For example, students made an entry each time they wrote down the time and the items they ate.

1. It is essential the information in this body is organized. **Columns** and **rows** are used to arrange information in a logical and clear format.

The columns in the food record include the bolded words in the table and the information below each word. (For example, the first column is "Time" and all the entries below that word.)

- a. A column is a vertical arrangement of items written on a page.

The rows in the food record include each entry recorded in the table (For example, the second row contains the first entry of information: the time and each food item eaten.)

- b. A row is a horizontal arrangement of items written on a page.

The headings in the food record are found at the top of each column. (For example, the first column heading is "Time," the second column heading is "Bread and Grains," and so on.)

- c. Each column or each row must contain a **heading**. A heading is title for the specific information that is to be recorded. The headings assist the person making record entries. Without these headings, the person might forget to write down one piece of information.
- 2. The body is the main part of the record and should be located underneath the title.
- 3. Information within the body may include items like the date, time, quantity, and description.
- C. As a business keeps records over time, one record may have several pages. To stay organized, it is important that each page includes a **page number**. The page numbers count each page in order starting with the number 1.
 - 1. The page number should be located in the bottom right corner of each page.

*****To help students master this objective, discuss this information while referring to the food record they made on WS: 2-1**

Objective 2: Understand factors to good record keeping systems

Anticipated Problem: What factors should be considered when developing a good record keeping system?

- II. When developing a record keeping system, it is important to consider factors that will lead to a system that will work best for the business.
 - A. The information one desires from business records should be considered when developing a record keeping system.
 - 1. At minimum, enough information to prepare current financial statements should be included. Financial statements may be required by organizations giving credit to a business.
 - 2. Information to improve an enterprise should also be kept.
 - a. The specific information needed to improve an enterprise is dependant upon the type of enterprise and circumstances surrounding the activities of the enterprise.
 - B. The record keeping system developed should match your record keeping abilities.
 - 1. Although record keeping is essential for a healthy business, it does require time to keep accurate and up-to-date records. Consider how much time can be devoted to record keeping.

*****To help students master this objective, ask students "What factors should be considered when developing a good record keeping system?" Discuss their answers and be sure to highlight why a factor would or would not be important to consider. More specific questions may need to be asked to allow students to discover the information in Objective 2. These questions may include:**

- 1. **Would all agribusinessmen need to record the same information? What if all agribusinessmen have different enterprises? (How would the records be different for a goat farmer than for an almond farmer? Why would they be different?)**
- 2. **Would all agribusinessmen have the same amount of time to dedicate to keeping records? Could one agribusinessman pay another person to keep records for him? Would this allow more or less time to record entries for that business?**

Objective 3: Identify 4 types of records.

Anticipated Problem: What types of records do businesses need to maintain?

III. Various types of records serve different purposes for a business. These records will assist a business is being efficient while maintaining the information needed.

A. **Basic Financial Records** provide simple information. These records should be easy to use, simple to understand, and quick to access.

1. Basic financial records should include a list of business transactions.
 - a. Money paid to others, money received, and goods that were **bartered** should be listed.
 - b. Bartering is trading one good or service for another good or service.
 - i. One example of bartering would be an apple farmer trading with a goat farmer. These individuals might trade a fair number of quality apples for 1 liter of goats milk.
 - ii. It is important that both individuals are in need of the item being bartered. If the apple farmer had a cow on his farm, he would not need any goat milk. In this case, trading for goat milk is no benefit to him. If the apple farmer made this trade, he would not be receiving adequate payment for the apples he's giving to the goat farmer. It would be like he is giving the apples for free.
 2. Entries for basic financial records should be made as often as business transactions occur. It is essential to record these immediately as transactions can easily be forgotten.

B. **Inventory Records** give a quick list of goods on-hand. This record describes the value of goods. If money is needed, these goods can be sold.

1. Inventory records can be documented weekly, monthly, or annually (every year).
2. It is important to remember that as soon as good or commodity is sold or purchased, the inventory record is outdated.
3. Inventory records are kept for **capital goods** and **non-capital goods**.
 - a. Capital goods are those that are used to produce other goods. Usually these goods are used every year in the agribusiness.
 - i. Examples of capital goods are land owned, livestock used for breeding, and trees used for producing fruits and nuts.
 - b. Non-capital goods are those that will be used or sold during business activities.
 - i. Examples of non-capital goods are seed, harvested grain for selling or feeding animals, and hired labor.

C. **Enterprise Records** are a detailed documentation of all activities that surround one enterprise. These records provide a foundation for improvement upon the enterprise.

1. It is essential that the date, location, activity, and a detailed description are included in these records.
 - a. If needed, a different record **template**, or guide, can be used for different enterprises. The type of enterprise determines the activities surrounding the enterprise, and requires different information to be recorded.
2. Enterprise records should be made immediately after an activity occurs. Many details need to be documented for good enterprise records and this is most easily done near the time that the activity occurred.

D. **Financial Statements** summarize basic financial statements, inventory records, and enterprise records.

1. These statements provide analytical information that can help determine the health of a business. Financial statements include:
 - a. Cash Flow Statement
 - b. Balance Sheet
 - c. Income Statement
2. Financial Statements are prepared on an occasional basis, usually monthly or annually.

*****To help students master this objective, discuss the above information. For further understanding, have students complete LS: 2-1.**

Review/Summary: Play the "Clue" game. You will need to make sets of fact cards for this game. Each group will need 3 cards per student, or 9 cards per group (of 3 students). These fact cards should have one term or other key word from this lesson written on each card.

Start the game by dividing students into groups of 3 or more. Give groups one set of cards. Each student should hold 3 cards without showing anyone else. Explain the roles of students in this game, each student will have the opportunity to play each role.

There are three roles in this activity—the Player, the Clue Giver, and the Prompter. The Player guesses the facts using clues given by the Clue Giver. The Clue Giver will receive the facts from the Prompter by looking at the fact card and give clues to the Player. The Teleprompter will reveal the fact cards one at a time to the Clue Giver.

Students should determine who will play which role first. Then, the Clue Giver should sit facing the Player. The Prompter will stand behind the Player (facing the Clue Giver.) When the teacher says "Go!" the Prompter will show one fact card to the Clue Giver which will give clues to the Player. Once the Player has guessed the word or words on the fact card, the Prompter will show another fact card. After 60 seconds, tell groups to "Stop!" Then students will change roles by the Clue Giver switching to the Prompter, the Prompter switching to the Player, and the Player switching to the Clue Giver.

If desired, score can be kept track by counting the number of correct answers given by each Player.

Application: Students should complete LS: 2-1. The first entries on the Enterprise and Expense record sheets are shown in italics. Assist students in completing the remaining entries.

Evaluation: A sample written test is attached.

Answers to Test:

Part One: Matching

1 = h, 2 = e, 3 = g, 4 = a, 5 = b, 6 = d, 7 = c, 8 = f

Part Two: Completion

1 = page number
2 = template
3 = financial

Part Three: Short Answer

1. Records should be kept up-to-date so that they are accurate. In most cases, entries should be made immediately following transactions and other business activities that occur.
2. It is important that both individuals receive a useful good or service when bartering. If it is not useful to one individual, he is not receiving adequate payment for the good or service he is trading.
3. When developing or selecting a good record keeping system, it is important that one considers the information he wishes to have within the records and the amount of time that can be spent making entries.

Test

**Developing an Adequate Enterprise
Record Keeping System****Part One: Matching**

Instructions. Match the term with the correct response. Write the letter of the term by the definition.

- | | | |
|---------------|-----------|------------------------|
| a. title | d. barter | g. enterprise record |
| b. column | e. row | h. financial statement |
| c. bookkeeper | f. entry | |

- _____ 1. Gives information to analyze the health of a business.
- _____ 2. Information arranged in a horizontal manner.
- _____ 3. Documentation of all activities that surround one enterprise.
- _____ 4. A short description of the information in a record.
- _____ 5. A vertical arrangement of items written on a page.
- _____ 6. Exchanging one good or service for another good or service of equal value.
- _____ 7. The person who updates records.
- _____ 8. Information entered into a record at one time.

Part Two: Completion

Instructions. Provide the word or words to complete the following statements.

1. To stay organized, it is important that each page includes a _____.
2. A _____ is a guide for keeping records.
3. Entries for basic _____ records should be made immediately after business transactions occur.

Part Three: Short Answer

Instructions. Use complete sentences and correct spelling to provide the information below.

1. Why is it important to keep records up-to-date?
2. What should be considered when bartering with another individual or agribusiness?
3. List two factors to consider when developing or selecting a good record keeping system.

Developing an Adequate Enterprise Record Keeping System

Instructions. In class, list examples of food items for each category. Then, record each food item after you eat each meal or snack throughout the day starting now. Each time you eat, record the time, and then list the food items under the appropriate category.

Bread and Grains-

Fruits and Vegetables-

Dairy and Milk-

Meat and Nuts-

Other-

Food Items Eaten on _____

Time	Bread and Grains	Fruits and Vegetables	Dairy and Milk	Meat and Nuts	Other
<i>Example: 8:00 a.m.</i>	<i>1 slice wheat bread</i>	<i>1 apple</i>		<i>1 handful of almonds</i>	

Lab Sheet

Developing an Adequate Enterprise Record Keeping System

The John Doe Apple Orchard currently has 10 apple trees near the village in which he lives. John Doe has written down several pieces of information on scrap pieces of paper which he keeps in a box in his home. He would like you to organize this information so that he can use the records to prepare Financial Statements later this year.

Part One

Instructions. Determine if each of the following statements should be recorded on an enterprise record or a basic financial record. Place the letters "ER" next to those that belong on an enterprise record or place the letters "FR" next to those that belong on a financial record.

- _____ 1. 13 April- 10 liters of insecticide applied to apple tree leaves.
- _____ 2. 25 March - Purchased 3 apple trees for \$20 each.
- _____ 3. 15 July- Purchased 5 baskets for harvesting for \$5 each.
- _____ 4. 12 April- Found beetles on apple tree leaves today.
- _____ 5. 7 April- Pruned 5 of the neighbor's apple trees for \$10 each. He paid by giving me a goat.
- _____ 6. 12 April- Purchased 10 liters of insecticide for apple trees for \$10.
- _____ 7. 22 September- Sold 5 baskets of apples for \$10 each.
- _____ 8. 18 September- Paid 2 people to help harvest apples. \$4 each.
- _____ 9. 3 April- Pruned trees 1, 3, 6, and 9.
- _____ 10. 26 September- Made 5 jars of applesauce with 1 basket of apples.
- _____ 11. 18 September- Harvested 2 baskets of apples from each of the following: Tree 1, 2, 3, 7, 9, and 10. Harvested 3 baskets of apples from each: Tree 4, 5, 6, and 8.
- _____ 12. 23 September- Stored 15 baskets of apples in the barn.
- _____ 13. 25 September- Purchased sugar and supplies for making applesauce. \$15.
- _____ 14. 26 March- Planted 3 apple trees west of the village-Tree Numbers 11, 12, 13.
- _____ 15. 1 March- Closely inspected all apple trees every Monday.
- _____ 16. 30 September- Sold 13 baskets of apples for \$10 each.

Part Two

Instructions. Using the above information, make entries on the enterprise record and the financial record. Be sure to record the information and activities in the order which they occurred.

Lab Sheet

Developing an Adequate Enterprise Record Keeping System

Part Three

Instructions. Using the information below, complete the inventory record. The items on hand were counted on 30 September.

5 jars applesauce (1 liter each) - \$4 each
2 baskets apples - \$10 each
20 harvesting baskets - \$5 each
½ kg. sugar - \$5
2 pairs pruning shears - \$15 each
1 shovel - \$10
1 hose for watering - \$15
1 pesticide hand sprayer - \$30

Part Four

Instructions. Answer the following questions with complete sentences.

1. What information does an enterprise record give?

2. Why is it important to keep an enterprise record?

3. Which record would be used if John Doe needed to prove to his neighbor that he paid \$10 for each of his new apple trees?

4. What would the total value of the John Doe Apple Orchard inventory if he sold 1 basket of apples to his neighbor for \$10.

Lab Sheet

Developing an Adequate Enterprise Record Keeping System

The John Doe Apple Orchard currently has 10 apple trees near the village in which he lives. John Doe has written down several pieces of information on scrap pieces of paper which he keeps in a box in his home. He would like you to organize this information so that he can use the records to prepare Financial Statements later this year.

Part One

Instructions. Determine if each of the following statements should be recorded on an enterprise record or a basic financial record. Place the letters "ER" next to those that belong on an enterprise record or place the letters "FR" next to those that belong on a financial record.

- ER** 1. 13 April- 10 liters of insecticide applied to apple tree leaves.
- FR** 2. 25 March - Purchased 3 apple trees for \$20 each.
- FR** 3. 15 July- Purchased 5 baskets for harvesting for \$5 each.
- ER** 4. 12 April- Found beetles on apple tree leaves today.
- FR** 5. 7 April- Pruned 5 of the neighbor's apple trees for \$10 each. He paid by giving me a goat.
- FR** 6. 12 April- Purchased 10 liters of insecticide for apple trees for \$10.
- FR** 7. 22 September- Sold 5 baskets of apples for \$10 each.
- FR** 8. 18 September- Paid 2 people to help harvest apples. \$4 each.
- ER** 9. 3 April- Pruned trees 1, 3, 6, and 9.
- ER** 10. 26 September- Made 5 jars of applesauce with 1 basket of apples.
- ER** 11. 18 September- Harvested 2 baskets of apples from each of the following: Tree 1, 2, 3, 7, 9, and 10. Harvested 3 baskets of apples from each: Tree 4, 5, 6, and 8.
- ER** 12. 23 September- Stored 15 baskets of apples in the barn.
- FR** 13. 25 September- Purchased sugar and supplies for making applesauce. \$15.
- ER** 14. 26 March- Planted 3 apple trees west of the village-Tree Numbers 11, 12, 13.
- ER** 15. 1 March- Closely inspected all apple trees every Monday.
- FR** 16. 30 September- Sold 13 baskets of apples for \$10 each.

Part Two

Instructions. Using the above information, make entries on the enterprise record and the financial record. Be sure to record the information and activities in the order which they occurred.

Lab Sheet

Developing an Adequate Enterprise Record Keeping System

Part Three

Instructions. Using the information below, complete the inventory record. The items on hand were counted on 30 September.

5 jars applesauce (1 liter each) - \$4 each

15 baskets apples - \$10 each

20 harvesting baskets - \$5 each

½ kg. sugar - \$5

2 pairs pruning shears - \$15 each

1 shovel - \$10

1 hose for watering - \$15

1 pesticide hand sprayer - \$30

Part Four

Instructions. Answer the following questions with complete sentences.

1. What information does an enterprise record give?

An enterprise record gives information about planting, harvesting, and other activities that occur for one enterprise.

2. Why is it important to keep an enterprise record?

Enterprise records can help an agribusinessman make improvements next year by making modifications to the activities or completing the activities at a more appropriate date.

3. Which record would be used if John Doe needed to prove to his neighbor that he paid \$10 for each of his new apple trees?

The expense record of the basic financial record would be used.

4. What would the total value of the John Doe Apple Orchard inventory if he sold 1 basket of apples to his neighbor for \$10.

His inventory would change from \$230 to \$220 because he would have one less basket of apples which is worth \$10.