

## **Unit B:** Understanding the Purpose of Record Keeping for Agribusinesses

### **Lesson 1:** Realizing the Importance of Record Keeping

#### **Student Learning Objectives:**

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

1. Understand why records are important for the planning and continuity of an agricultural business.
2. Identify two functions of records.
3. Understand the procedure for record keeping.

#### **Recommended Teaching Time:** 2 hours

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

Gibson, Jerry D., et al. *Agribusiness: Management, Marketing, Human Resources Development, Communication, and Technology*. Danville, Illinois: Interstate Publishers, Inc., 2001. (Textbook, Chapter 9)

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

#### **List of Equipment, Tools, Supplies, and Facilities:**

One piece of paper per student  
PowerPoint Projector  
PowerPoint Slides  
PowerPoint Presentation on Making a Three-Flap Style Foldable

#### **Terms:**

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

## **Interest Approach:**

Ask students to calculate their current grade in your Principles of Agriculture Economics (or another) class. Ask students to determine the ease of doing this. Ask for suggestions of what students can do to be easily able to complete this task. Relate this activity to a small farm.

Questions you might ask include:

1. Was it easy to calculate your grade? Why?
2. What could be done to make this task easier?
  - a. Answers might include: each student writing grades down on a single piece of paper after each assignment is completed, making a class chart to record grades, and others.
3. Why is it important to you to keep a record of your grade for this class?
4. How might keeping a record of your grades help you get a better grade for this class?
5. Should a farmer or agribusinessman keep a record of their animals and crops or inventory of agricultural products like we might do with our grades? What type of information should the farmer and/or agribusinessman keep?
  - a. Examples might include keeping a record of how many babies a goat has each year or the amount of wheat produced from one field or the amount of seed available to sell. Ask students to give other examples.
6. How would this help in making good management decisions for the farm or agribusiness?
  - a. The farmer would know which goats produced the most babies. This would be helpful if he needed to sell a goat, he could sell one that is less productive and keep goats that will produce more babies.
  - b. The farmer could keep seeds from the wheat field to plant in the next growing season. These seeds saved will help the farmer produce more wheat next season.
  - c. The agribusinessman would know the amount of different varieties of seed they had available to sell to the farmers.

## **Summary of Content and Teaching Strategies**

\*\*\*To help students master Objectives 1, 2, and 3, give each student a blank piece of paper. Students should create a “foldable” as directions are shown in the “Making a Three-Flap Style Foldable” PowerPoint. After students have created this foldable they should write the information in each section when it is given during class. On the back of this foldable, students should write each term and its definition.

**Objective 1:** Understand why records are important for the planning and continuity of an agricultural business.

**Anticipated Problem:** Why are records important for an agricultural business?

**On Flap 1, students should write “Uses of Record Keeping.” Inside this flap, students should write each use (For example: “To determine earnings,” “To determine profit and loss,”).**

- I. Records provide a wealth of information for the agricultural business manager. They are used for the following:

### **PowerPoint Slide 3**

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

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- B. To determine **profit** and loss.
  - 1. 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.
    - a. Profit and loss are the difference between earnings and expenses. It is calculated by subtracting costs from the earnings.
    - b. If earnings exceed the costs, a profit is realized.
    - c. If costs exceed earnings, a loss is realized.

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

### **PowerPoint Slide 6**

- D. To determine the profitability of enterprises.
  - 1. An **enterprise** is activity surrounding one project in a business. One business may have several enterprises.
    - a. Examples might include:
      - i. Vegetable enterprise- producing melons, cucumbers, and onions.
      - ii. Livestock enterprise- raising goats and cattle for their meat.
      - iii. Dairy enterprise- raising goats for their milk.

### **PowerPoint Slide 7**

- E. To determine where improvements can be made.
- F. To assist with planning.

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- G. To provide information needed to obtain **credit**.
  - 1. 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.

### **PowerPoint Slide 9**

- H. To provide information that may need to be reported to organizations.
- I. To preserve information for future reference.

## **Objective 2:** Identify the two functions of records.

**Anticipated Problem:** What are the two primary functions of records in an agricultural business?

**On Flap 2, students should write “Functions of Record Keeping.” Inside this flap, students should write each function (“Reporting Purposes” and “Management Information”)**

- II. Many agricultural businesses utilize records for reporting purposes, but more importantly information needed for making management decisions can be provided.

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- A. Businesses need to keep accurate records in order to report to organizations that need this information. Banks and organizations giving credit may require this information before and after lending funds to a business. Extension representatives may also ask for this information.

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- B. 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.
  1. Inventory items may include fertilizer that will be applied to the growing crops, unsold grain, or equipment used for the business.
  2. Personal items such as clothing, food, and shelter should be kept separate from the business inventory.

**Objective 3:** Understand the procedure for record keeping.

**Anticipated Problem:** How can one develop good record keeping skills?

**On Flap 3, students should write “Steps in Successful Record Keeping.” Inside this flap, students should write each step (“Study the record keeping system,” “Make entries on a regular basis,” “Record cash and trade transactions immediately,” and “Keep financial and physical records”)**

III. Four steps can ensure successful record keeping.

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- A. Study the record keeping system selected before implementing it.
- B. Make complete record entries on a regular basis. Include date, quantity, description, and the person or business with whom transaction occurred.
- C. 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.
- D. Keep both **financial records**, list of money owed and money received, and **physical records**, list of items owned by the business.

**Review/Summary:** Ask students to select and sit by a partner (another student in the class.) Instruct students to take turns asking each other questions from this lesson using information written in their foldable and other information discussed in class.

**Application:** Instruct students to complete LS 1-1 to further distinguish inventory from non-inventory items.

**Evaluation:** A sample written test is attached.

## **Answers to Sample Test:**

### ***Part One: Matching***

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

### ***Part Two: Completion***

1 = reporting, management

2 = credit

3 = study

4 = inventory

### ***Part Three: Short Answer***

Use Objective 1 to score this question.

## Lab Sheet

### Understanding Inventory

*Instructions. In the blanks, place an "I" next to the inventory items and an "N" next to the non-inventory items for this farming operation. Then answer the questions that follow.*

<u>Item</u>	<u>Value</u>
_____ 1. Nanny goats	\$ 50
_____ 2. Non-breeding goats	\$ 35
_____ 3. Mule	\$ 200
_____ 4. Seed payment due this year	\$ 75
_____ 5. Stored crops	\$ 250
_____ 6. Money on-hand	\$ 150
_____ 7. Remaining amount due on loan	\$ 175
_____ 8. Pasture land for goats	\$ 300
_____ 9. Miscellaneous supplies for goats	\$ 20
_____ 10. Neighbor owes for goat milk	\$ 25
_____ 11. Clothing	\$ 50
_____ 12. Land for growing crops	\$ 200
_____ 13. Irrigation equipment	\$ 75

11. What is the total value of all inventory?\_\_\_\_\_

12. What is the total value of all inventory for the goat enterprise?\_\_\_\_\_

## Lab Sheet

### Understanding Inventory

*Instructions. In the blanks, place an "I" next to the inventory items and an "N" next to the non-inventory items for this farming operation. Then answer the questions that follow.*

<u>Item</u>	<u>Value</u>
I 1. Nanny goats	\$ 50
I 2. Non-breeding goats	\$ 35
I 3. Mule	\$ 200
N 4. Seed payment due this year	\$ 75
I 5. Stored crops	\$ 250
N 6. Money on-hand	\$ 150
N 7. Remaining amount due on loan	\$ 175
I 8. Pasture land for goats	\$ 300
I 9. Miscellaneous supplies for goats	\$ 20
N 10. Neighbor owes for goat milk	\$ 25
N 11. Clothing	\$ 50
I 12. Land for growing crops	\$ 200
I 13. Irrigation equipment	\$ 75

11. What is the total value of all inventory? **\$ 1130**

12. What is the total value of all inventory for the goat enterprise? **\$ 405**

**Test**  
**Understanding Agribusiness in Today's World**

**Part One: Matching**

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

- |                    |                     |
|--------------------|---------------------|
| a. physical record | e. profit           |
| b. transaction     | f. financial record |
| c. inventory       | g. enterprise       |
| d. commodity       |                     |

- \_\_\_\_\_ 1. A count of assets with their values.  
\_\_\_\_\_ 2. List of items owned by the business.  
\_\_\_\_\_ 3. List of money owed and money received by the business.  
\_\_\_\_\_ 4. A transfer of goods, services, or money from one individual or organization to another.  
\_\_\_\_\_ 5. A product of agriculture.  
\_\_\_\_\_ 6. A valuable return from a business exchange.  
\_\_\_\_\_ 7. Activity surrounding one project in a business

**Part Two: Completion**

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

1. Many businesses utilize records for \_\_\_\_\_ purposes, but information needed for making \_\_\_\_\_ decisions can also be provided.
2. \_\_\_\_\_ is given by banks or organizations to individuals or businesses in the form of money.
3. It is important to \_\_\_\_\_ the record keeping system before implementing it.
4. \_\_\_\_\_ items are goods and materials that are in final product form or used in making the final product.

**Part Three: Short Answer**

*Instructions.* Provide information to answer the following question.

1. What kind of information do records provide?