

## HEN-PECKED FARM

*This Hen-Pecked Farm Balance Sheet exercise was created by Julie Kolodji, Farm Service Agency Loan Program Manager in Minnesota, and is adapted with Farm Service Agency permission by the Farm Beginnings Collaborative to be utilized within Farm Beginnings training programs nationally.*

**Directions: Determine whether the following items associated with Hen-Pecked Farm are assets or liabilities, classifying them as short-term farm or personal assets or liabilities, intermediate farm or personal assets or liabilities, or long-term farm or personal assets or liabilities. Transfer the value of each item to the balance sheet in its correct classification. Calculate and determine net worth.**

<ul style="list-style-type: none"> <li><input type="checkbox"/> A Dozen Egg Laying Chickens @ \$10 each = \$120 (eggs are enjoyed by family and friends)</li> <li><input type="checkbox"/> \$1,100 Farm Cash</li> <li><input type="checkbox"/> \$400 in Personal Checking</li> <li><input type="checkbox"/> \$1000 in Savings</li> <li><input type="checkbox"/> Corn in Bin - 1800 bu. - \$3.50/bu = \$6,300</li> <li><input type="checkbox"/> Hay - 40 round bales @ \$30/bale = \$1,200</li> <li><input type="checkbox"/> \$1,500 Feed in Barn</li> <li><input type="checkbox"/> \$3,500 Owed to Feed Store</li> <li><input type="checkbox"/> \$1,000 Prepaid Fertilizer</li> <li><input type="checkbox"/> \$750 Chemicals</li> <li><input type="checkbox"/> \$250 Vet Supplies</li> <li><input type="checkbox"/> Steers to sell 17 @ \$1,500 each = \$25,500</li> <li><input type="checkbox"/> 8 Yearling Heifers @ \$1,100 each = \$8,800</li> <li><input type="checkbox"/> \$500 Neighbor Owes - Sold Them Hay for Their Horses</li> <li><input type="checkbox"/> \$140,000 Real Estate Mortgage (\$1000/month = \$12,000/year)</li> <li><input type="checkbox"/> \$550 on Credit Cards for Groceries and Gifts</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> 27 Bred Cows @ \$1,500 each = \$40,500</li> <li><input type="checkbox"/> \$2,500 Bull</li> <li><input type="checkbox"/> \$15,000 Farm Truck</li> <li><input type="checkbox"/> \$15,000 Car</li> <li><input type="checkbox"/> \$75,000 Machinery and Equipment</li> <li><input type="checkbox"/> \$200 Fixed Neighbors Garden Tractor (haven't been paid yet)</li> <li><input type="checkbox"/> \$7,500 Owed to Bank on Car</li> <li><input type="checkbox"/> \$8,000 Cattle Trailer</li> <li><input type="checkbox"/> \$10,000 2015 Annual Operating Loan (remains to be paid)</li> <li><input type="checkbox"/> \$150,000 Farm Real Estate</li> <li><input type="checkbox"/> \$5,000 Implement Dealer Rake Payment (3% - \$1,000/year with a 7 year note)</li> <li><input type="checkbox"/> \$1,750 Real Estate Taxes</li> <li><input type="checkbox"/> \$3,000 Skidsteer Repair Bill</li> <li><input type="checkbox"/> \$900 Boat</li> </ul>
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**BALANCE SHEET:**

**Date:**

FARM ASSETS	Quantity	Unit Price	Market Value	FARM LIABILITIES	Value
<b>Current Farm Assets</b>				<b>Current Farm Liabilities</b>	
Cash				Farm Credit Card	
Farm Checking Account					
Farm Savings Account				Balance Farm Loan – All Due In 12 Months	
Crops Held for Sale or Feed					
				Credit Lines	
Investment in Growing Crops					
Commercial Feed on Hand				Accounts Payable	
Prepaid Expenses				Farm Taxes Due	
Market Livestock				Income Taxes Due	
Supplies on Hand				Other Current Farm Liabilities	
Accounts Receivable					
Other Current Assets					
<b>TOTAL CURRENT FARM ASSETS</b>				<b>TOTAL CURRENT FARM LIABILITIES</b>	
<b>Intermediate Farm Assets</b>				<b>Intermediate Farm Liabilities</b>	
Breeding Livestock				Loans on Intermediate Farm Assets	
				Balance Farm Loan – Final Pay 3-7 Yrs.	
Machinery/Equipment					
Farm Vehicles					
Other Intermediate Assets					
<b>TOTAL INTERMEDIATE FARM ASSETS</b>				<b>TOTAL INTERMEDIATE FARM LIABILITIES</b>	
<b>Long-Term Farm Assets</b>				<b>Long-Term Farm Liabilities</b>	
Farm Land				Loans on Long-Term Farm Assets	
Buildings and Improvements					
				Balance Farm Loan – Final Pay 15-40 Yrs.	
Other Long-Term Assets					
<b>TOTAL LONG-TERM FARM ASSETS</b>				<b>TOTAL LONG-TERM FARM LIABILITIES</b>	
<b>TOTAL FARM ASSETS:</b>				<b>TOTAL FARM LIABILITIES:</b>	
<b>PERSONAL ASSETS</b>				<b>PERSONAL LIABILITIES</b>	
<b>Current Assets</b>				<b>Current Liabilities</b>	
Cash				Personal Credit Card	
Personal Checking Account					
Personal Savings Account				Personal Current Loan	
<b>Intermediate Assets</b>				<b>Intermediate Liabilities</b>	
Household Goods				Personal Loan on Intermediate Assets	
Personal Vehicle					
Recreational Vehicles/Boat				Automobile Loan	
Other Intermediate Asset				Student Loan	
<b>Long-Term Assets</b>				<b>Long-Term Liabilities</b>	
Retirement Accounts				Personal Loan on Long-Term Assets	
Real Estate					
Other Long-Term Assets					
<b>TOTAL PERSONAL ASSETS:</b>				<b>TOTAL PERSONAL LIABILITIES:</b>	
<b>TOTAL ASSETS</b>				<b>TOTAL LIABILITIES</b>	

**Total Assets (Market Value) – (minus) Total Liabilities = Net Worth \_\_\_\_\_**

**HEN-PECKED FARM**

Use this Balance Sheet Exercise “Cheat Sheet” to assist in the facilitation and student completion of the Hen-Pecked Farm Balance Sheet Exercise. Included in this facilitator resource is a detailed summary of which activity assets and liabilities go where and why, as well as the completed Hen-Pecked Farm Balance Sheet.

<p>→ <b>A Dozen Egg Laying Chickens @ \$10 each = \$120 (eggs are enjoyed by family and friends)</b></p> <p><b>Personal Asset &gt;&gt; Intermediate Asset &gt;&gt; Other Intermediate Asset</b></p> <p>Why? Laying hens (and breeding or product-based livestock) are considered an immediate asset because generally, they maintain value for longer than a single-year in duration. Because this family is enjoying the eggs themselves, while giving some away to friends, the enterprise is considered a family self-sufficiency hobby, and not a farm enterprise, therefore the asset is considered a personal asset, not a farm asset.</p>
<p>→ <b>\$1,100 Farm Cash</b></p> <p><b>Farm Asset &gt;&gt; Current Asset &gt;&gt; Cash</b></p> <p>Why? Cash on-hand is accessible (or liquid) and can be used immediately for purchases, thus it is current.</p>
<p>→ <b>\$400 in Personal Checking</b></p> <p><b>Personal Asset &gt;&gt; Current Asset &gt;&gt; Personal Checking Account</b></p> <p>Why? Money in checking accounts is as good as cash on-hand. It is accessible (or liquid) and can be used immediately for purchases, thus it is current.</p>
<p>→ <b>\$1000 in Savings</b></p> <p><b>Personal Asset &gt;&gt; Current Asset &gt;&gt; Personal Savings Account</b></p> <p>Why? Money in a savings account is as good as cash on-hand. It is accessible (or liquid) and can be used immediately for purchases, thus it is current.</p>
<p>→ <b>Corn in Bin - 1800 bu. - \$3.50/bu = \$6,300</b></p> <p><b>Farm Asset &gt;&gt; Current Asset &gt;&gt; Crops Held for Sale or Feed</b></p> <p>Why? Generally, corn stored in a bin is sold for current year income or kept for a more immediate (within a year) fresh feed for livestock.</p>

→ **Hay - 40 round bales @ \$30/bale = \$1,200**

**Farm Asset >> Current Asset >> Crops Held for Sale or Feed**

Why? Generally, hay is sold for current year income, or kept for a more immediate (within a year) fresh feed for livestock.

→ **\$1,500 Feed in Barn**

**Farm Asset >> Current Asset >> Commercial Feed on Hand**

Why? Generally, feed bought and stored in barn is meant to be used as a more immediate feed source for livestock (it is fresher) and doesn't tie up cash flow beyond the immediate year or shorter periods, when purchasing for more current needs only.

→ **\$3,500 Owed to Feed Store**

**Farm Liability >> Current Liability >> Accounts Payable**

Why? Accounts payable is money you owe. In most cases, a store will demand being paid within the current fiscal year, if not within months, for an operating expense, such as a feed bill.

→ **\$1,000 Prepaid Fertilizer**

**Farm Asset >> Current Asset >> Prepaid Expenses**

Why? Sometimes current year operating expenses are purchased the prior year, whether for bulk savings or for tax deduction benefits or simply, the farm has excess not fully used in the prior year. These already paid (prepaid) expenses are considered current assets because they should reduce current year operating expenses.

→ **\$750 Chemicals**

**Farm Asset >> Current Asset >> Prepaid Expenses**

Why? Chemicals used in current year operations may already be on-hand at the farm from a previous year. Include the value as an asset in prepaid expenses because it should reduce current year operating expenses. Alternatively, it could be included in "Supplies on Hand" (appropriate if bought in current year in case a situation arose where chemicals were immediately needed).

→ **\$250 Vet Supplies**

**Farm Asset >> Current Asset >> Supplies on Hand**

Why? Vet supplies (supplies for animal health) are often bought in current year and kept on hand so that if they are needed, they are immediately accessible in that current year. Alternatively, it could be included in "Prepaid Expenses" (appropriate if supplies were bought the previous year and not fully used up).

→ **Steers to sell 17 @ \$1,500 each = \$25,500**

**Farm Asset >> Current Asset >> Market Livestock**

Why? The enterprise of raising steers is generally meant for current year income. The steers are being held for the purpose of an eventual sale. Record the value of the steers in possession, at the rate of value of the current date (not the anticipated value at the anticipated date of sale).

Why? If one had to “liquidate” (sell off) the steers today to get cash, the value of the steers must represent their worth today, not the intended future worth at a higher weight gain.

→ **8 Yearling Heifers @ \$1,100 each = \$8,800**

**Farm Asset >> Intermediate Asset >> Breeding Livestock**

Why? The enterprise of raising heifers is generally meant as livestock being held beyond the scope of one year, for the purpose of producing offspring, not as market livestock meant for an eventual current year sale.

→ **\$500 Neighbor Owes - Sold Them Hay for Their Horses**

**Farm Asset >> Current Asset >> Accounts Receivable**

Why? The hay sold was farm income with the intention to be paid within the current year (if not sooner). The neighbor is billed. One is in “in account” with the neighbor, in which the bill (income from the payment) will be “received” (i.e. accounts receivable) as part of current year income.

→ **\$140,000 Real Estate Mortgage (\$1000/month = \$12,000/year)**

**Farm Liability >> Current Liability >> Balance Farm Loans – All Due in 12 Months = \$12,000**

**Farm Liability >> Long-Term Liability >> Loans on Long-Term Farm Assets (Balance Farm Loan – Final Pay 15-40 years) = \$128,000**

Why? All loans with an original term over 10 years is considered a long-term liability, which includes the purchase of a long-term asset such as farm real estate. The long-term liability on real estate is recorded as the principle balance remaining (\$140,000), minus the principle due in the current year 12-month period (\$12,000), which in this case equals \$128,000 recorded as the long-term farm liability. In addition, the current year (12-month period) balance on the loan must be recorded in current farm liability as \$12,000.

→ **\$550 on Credit Cards for Groceries and Gifts**

**Personal Liability >> Current Liability >> Personal Credit Card**

Why? Expenses paid for with credit card are generally meant to be paid back as quickly as possible due to interest rates applied to delayed payments, thus are considered current liabilities.

→ **27 Bred Cows @ \$1,500 each = \$40,500**

**Farm Asset >> Intermediate Asset >> Breeding Livestock**

Why? The bred cows are meant as livestock being held beyond the scope of one year, for the purpose of producing offspring to increase herd size, or eventual livestock products, such as milk, not as a market livestock meant for an eventual current year sale.

→ **\$2,500 Bull**

**Farm Asset >> Intermediate Asset >> Breeding Livestock**

Why? The bull is kept beyond the scope of one year, for the purpose of breeding to produce offspring, not as a market livestock meant for an eventual current year sale.

→ **\$15,000 Farm Truck**

**Farm Asset >> Intermediate Asset >> Farm Vehicle**

Why? A vehicle generally retains value beyond a single year (2-10 years) but is not usually a permanent, long-term asset, thus is considered an intermediate asset. The value assigned to the vehicle is what it is worth if sold on the date of the balance sheet on the market.

→ **\$15,000 Car**

**Personal Asset >> Intermediate Asset >> Personal Vehicle**

Why? A vehicle generally retains value beyond a single year (2-10 years) but is not usually a permanent, long-term asset, thus is considered an intermediate asset. The value assigned to the vehicle is what it is worth if sold on the date of the balance sheet on the market.

→ **\$75,000 Machinery and Equipment**

**Farm Asset >> Intermediate Asset >> Machinery/Equipment**

Why? Farm assets of machinery, equipment and other infrastructure generally retains value beyond a single year (2-10 years) but are not usually a permanent, long-term asset, thus is considered an intermediate asset. A machinery and equipment asset list should itemize the asset items, purchase dates, purchased prices and market values for all items (the value assigned to items is what they are worth if sold on the market). The value of all assets can be tallied, and the total transferred to the intermediate asset machinery/equipment line in a balance sheet.

→ **\$200 Fixed Neighbors Garden Tractor (haven't been paid yet)**

**Farm Asset >> Current Asset >> Accounts Receivable**

Why? The repair utilized custom hire skills acquired through farming with the intention to be paid within the current year (if not sooner). The neighbor is billed (accounts receivable) as part of current

year income. In the Hen-Pecked Farm Balance Sheet, this \$200 current asset has been added to the \$500 current asset (hay sold to neighbor) to equal \$700 of accounts receivable income.

→ **\$7,500 Owed to Bank on Car**

**Personal Liability >> Intermediate Liability >> Automobile Loan**

Why? All loans with an original term of one to ten years is considered an intermediate liability.

Include the balance remaining on the loan.

→ **\$8,000 Cattle Trailer**

**Farm Asset >> Intermediate Asset >> Farm Vehicle**

Why? Considered a vehicle, a cattle trailer generally retains value beyond a single year (2-10 years) but is not usually a permanent, long-term asset, thus is considered an intermediate asset. The value assigned to the vehicle is what it is worth if sold on the date of the balance sheet on the market. In the Hen-Pecked Farm Balance Sheet, this \$8,000 intermediate asset has been added to the \$15,000 intermediate asset (farm truck) to equal a \$23,000 value in farm vehicles.

→ **\$10,000 2015 Annual Operating Loan (remains to be paid)**

**Farm Liability >> Current Liability >> Other Current Farm Liability**

Why? An operating loan is a short-term loan that covers operating expenses within the current year, generally to aid cash flow through the operating year as needed. Therefore, terms of repayment are set to be repaid within the year of operation.

→ **\$150,000 Farm Real Estate**

**Farm Asset >> Long-Term Asset >> Farm Land**

Why? If land is purchased as farm real estate, it is considered a long-term farm asset due to its more permanent nature (it does not depreciate in the immediate 2-10 year timeframe).

→ **\$5,000 Implement Dealer Rake Payment (3% - \$1,000/year with a 7 year note)**

**Farm Liability >> Current Liability >> Balance Farm Loans – All Due in 12 Months = \$1,000**

**Farm Liability >> Intermediate Liability >> Loans on Intermediate Farm Assets (Balance Farm Loans – Final Pay 3-7 years) = \$4,000**

Why? All loans with an original term of 2-10 years are considered an intermediate liability, which includes the purchase of machinery, equipment and other intermediate farm infrastructure, such as a rake purchased from an implement dealer. The intermediate liability on the loan note for the rake is recorded as the principle balance remaining (\$5,000), minus the principle due in the current year 12-month period (\$1,000), which in this case equals \$4,000 recorded as the long-term farm liability. In addition, the current year (12-month period) balance on the loan must be recorded in current

farm liability as \$1,000. In the Hen-Pecked Farm Balance Sheet, the \$1,000 loan balance recorded in current farm liability is added to the \$12,000 loan balance on the farm real estate, to total \$13,000.

→ **\$1,750 Real Estate Taxes**

**Farm Liability >> Current Liability >> Farm Taxes Due**

Why? The purchased property was farm real estate, therefore, taxes due on the real estate are a farm liability. Taxes are due annually, making it a current liability.

→ **\$3,000 Skidsteer Repair Bill**

**Farm Liability >> Current Liability >> Accounts Payable**

Why? Accounts payable is money you owe. In most cases, a store will demand being paid within the current fiscal year, if not within months, for a repair expense, such as a skidsteer repair bill.

→ **\$900 Boat**

**Personal Asset >> Intermediate Asset >> Recreational Vehicle / Boat**

Why? Recreational vehicles (such as a boat) generally retains value beyond a single year (2-10 years) but is not usually a permanent, long-term asset, thus is considered an intermediate asset. The value assigned to the boat is what it is worth if sold on the date of the balance sheet on the market.

**BALANCE SHEET**

*Hen Pecked Farm*

Date: XX-X-20XX

FARM ASSETS	Quantity	Unit Price	Market Value	FARM LIABILITIES	Value
<b>Current Farm Assets</b>				<b>Current Farm Liabilities</b>	
Cash			1,100	Farm Credit Card	
Farm Checking Account					
Farm Savings Account				Balance Farm Loan – All Due In 12 Months	13,000
Crops Held for Sale or Feed	40	30	1,200		
	1800	3.50	6,300	Credit Lines	
Investment in Growing Crops					
Commercial Feed on Hand			1,500	Accounts Payable	3,500
					3,000
Prepaid Expenses			1,000	Farm Taxes Due	1,750
			750		
Market Livestock	17	1500	25,500	Income Taxes Due	
Supplies on Hand			250	Other Current Farm Liabilities	10,000
Accounts Receivable			700		
Other Current Assets					
<b>TOTAL CURRENT FARM ASSETS</b>			<b>38,300</b>	<b>TOTAL CURRENT FARM LIABILITIES</b>	
<b>Intermediate Farm Assets</b>				<b>Intermediate Farm Liabilities</b>	
Breeding Livestock	27	1,500	40,500	Loans on Intermediate Farm Assets	
	8	1,100	8,800		
	1	2,500	2,500	Balance Farm Loan – Final Pay 3-7 Yrs.	4,000
Machinery/Equipment			75,000		
Farm Vehicles			23,000		
Other Intermediate Assets					
<b>TOTAL INTERMEDIATE FARM ASSETS</b>			<b>149,800</b>	<b>TOTAL INTERMEDIATE FARM LIABILITIES</b>	
<b>Long-Term Farm Assets</b>				<b>Long-Term Farm Liabilities</b>	
Farm Land			150,000	Loans on Long-Term Farm Assets	
Buildings and Improvements					
				Balance Farm Loan – Final Pay 15-40 Yrs.	128,000
Other Long-Term Assets					
<b>TOTAL LONG-TERM FARM ASSETS</b>			<b>150,000</b>	<b>TOTAL LONG-TERM FARM LIABILITIES</b>	
<b>TOTAL FARM ASSETS:</b>			<b>338,100</b>	<b>TOTAL FARM LIABILITIES:</b>	
				<b>163,250</b>	
<b>PERSONAL ASSETS</b>				<b>PERSONAL LIABILITIES</b>	
<b>Current Assets</b>				<b>Current Liabilities</b>	
Cash			400	Personal Credit Card	550
Personal Checking Account					
Personal Savings Account			1,000	Personal Current Loan	
<b>Intermediate Assets</b>				<b>Intermediate Liabilities</b>	
Household Goods				Personal Loan on Intermediate Assets	
Personal Vehicle			15,000		
Recreational Vehicles/Boat			900	Automobile Loan	7,500
Other Intermediate Asset	12	10	120	Student Loan	
<b>Long-Term Assets</b>				<b>Long-Term Liabilities</b>	
Retirement Accounts				Personal Loan on Long-Term Assets	
Real Estate					
Other Long-Term Assets					
<b>TOTAL PERSONAL ASSETS:</b>			<b>17,420</b>	<b>TOTAL PERSONAL LIABILITIES:</b>	
<b>TOTAL ASSETS</b>			<b>355,520</b>	<b>TOTAL LIABILITIES</b>	
				<b>171,300</b>	

**Total Assets (Market Value) – (minus) Total Liabilities = Net Worth 184,220**