

Farm Business Performance Worksheet (15 points)

A.) Calculate Accrued Net Farm Income

1.) Farm Income

Total Farm-Related Cash Income
Increase in Accounts Receivable
Decrease in Accounts Receivable
Increase in Farm Inventories (see Note A4)

Accrued Farm Income

2.) Farm Expenses

Total Farm-Related Cash Expenses
Depreciation
Increase in Accounts Payable
Decrease in Accounts Payable
Advanced Payments Made Last Year Towards this Year's Expenses
Advanced Payments Made this Year Towards this Year's Expenses

Accrued Farm Expenses

3.) Accrued Net Farm Income

4.) Note About Inventory Values:

Use Market Values for a Current Evaluation of an Individual Farm
Use Agricultural Values to Track a Farm's Performance Overtime
Use Agricultural Values when Comparing Farms

B.) Calculate 5 Key Measures of Farm Performance

1.) Return on Assets

Accrued Net Farm Income
Returns to Owner's Labor and Management and to Unpaid Family Labor

Subtotal

Average Value of Total Farm Assets (See Note A4)

Percent Return on Farm Assets

2.) Ratio of Farm Income to Term Debt and Lease Coverage

Measures How Much Farm and Family Money is Available to:
Pay Down Debt at an Accelerated Rate, Lay Aside Funds for Risk
Management Coverage, Re-Invest Money Back into Business, Invest
Money in a Retirement Plan, College Tuition, Pleasure, Etc.
Accrued Net Farm Income

Non-Farm Income (Add only if you want to evaluate total monies available to the family for meeting the needs and desires listed above)
Owner Draws

Subtotal

Principal and Interest Payments on Term Debt
Lease Payments on Capital Items

Subtotal

Term Debt and Lease Coverage Ratio

3.) Percent Equity

Total Farm Assets
Total Farm Liabilities

Subtotal

Total Farm Assets

Percent Equity

4.) Operating Expense Ratio

Accrued Farm Expenses
Interest
Depreciation

Subtotal

Accrued Farm Income

Operating Expense Ratio

5.) Asset Turnover Ratio

Accrued Farm Income
Average Value of Total Farm Assets

Asset Turnover Ratio

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