TYPES OF FARM RECORDS AND ACCOUNTS

• The Farm Records which a good farmer should keep are:
• Income and Expenditure or receipts and payments or cash returns
• Yield or Production record
• Farm Inventory of tools and properties
• Annual valuations
• Farm diary
• Profit and loss account
• Labour records
• Farm input utilization record
• Sales record
• Purchase record
• Special or supplementary records

INCOME AND EXPENDITURE RECORDS

EXPLANATION

• This is derived from production records of which they are money values.
• They comprise purchases, wages (expenditures) and sales (income).
• Income and expenditure records together with production records normally form the basis of day-to –day management decisions.

FEATURES

• This shows clearly both income and expenditure
• Income is known as receipt while expenditure equals payment
• Receipts are recorded on the left side while payment equals right side
• The cash book contains column for date on which the farmer made transaction, the source of income received or purpose of payment made
• Debit receipts and credit payment
• The financial position can be determined at year end

SPECIAL/SUPPLEMENTING RECORDS

The farm (layout) map, which can change over time and the farm soil map, legal documents pertaining to the farm.
• These are necessary for the consistent planning and economical use of the land and its improvements.

YIELD /PRODUCTION PROCESS

• It is also known as physical records.
• They are records of quantities of inputs used in the farm and outputs obtained from it.
• Labour input records are in man days or man hours as part of Production records.
• **INVENTORY PROCESS**
• An inventory is the complete count and evaluation of all assets and liabilities on the farm at a specific date.
• Assets- All materials i.e goods and services, owned by the farmer and used in the production process e.g cash in hand and at bank, land, landed properties like buildings, machinery, fixtures, fishes etc

• Liabilities- the goods and services which farm owes to others e.g obligations that has to be met over time e.g loan repayment and interest on loan

There are **two** steps in taking an inventory
• 1. Physical count of the assets and liabilities (physical records). This involves a simple listing of the assets and liabilities of the farm.
• 2. The valuation of the assets and liabilities already listed.

IMPORTANCE OF INVENTORY RECORDS

• It shows the network of the farm at a point in time as well.
• As the stocks such as feeds, medicines etc on hand.
• It records the expenses due to depreciation.

PERFORMANCE EVALUATION

• Farm records and accounts are used mainly in calculating aggregate and ratio measures for the purpose of assessing the farm business.
• Aggregate measures include the Net worth statement or the Balance sheet and the Income statement or what is sometimes called the Profit and Loss statement.

NETWORTH STATEMENT

• It is used in determining the overall performance of a farm within a period of time.
• It is usually the balance sheet that shows vividly the financial position of the business at a specific point in time.
• It is defined as the total value of assets less the total value of liabilities.
• It gives a measure of the ultimate solvency of the farm.
• In aquaculture, these assets and liabilities are time-specific
• The net worth of any farm depends on a number of **factors** namely:
• The changes in the general level of prices
• The success of the farm
• The amount of profit saved and ploughed back into the farm business
• The aqua-business requires the use of the net worth statement for the following important **reasons:**
• It shows a specific financial position
• It reveals the various collaterals that the investor has (for the support of a loan request)
• It determines the effects of the financial position on the economic and monetary stability of the investor

• **Net worth statement= Total assets - Total Liabilities**
• It becomes very useful when compared to past values of net worth indicating whether the farm's general performance is getting better or getting worse.

• Ratio measures that can be calculated from the Net worth Statement are:
• **A. Net capital Ratio (NCR) = Total asset divided by Total liabilities**
• Measure the farm's degree of financial safety. The smaller the value the less safe is the farm financially.
• Then ratio measure, like other ones is preferred in most cases to aggregate measures because of the absence of units and the fact that the degree of financial safety of both small farms and big farms can only be compared using ratio measures.
• **B. Working Capital Ratio (WCR) or the intermediate ratio** is given by
• WCR = sum of working and current assets divided by Sum of medium, term and current liabilities
• It measures the degree of financial safety of the farmer over an intermediate period of time say a year to a couple of years. The usefulness of the measure is however in comparing it with past and future WCR measures.
• **C. Current Capital Ratio (CCR)** measures the degree of immediate solvency of the farm that is the ability of the farm to meet current obligations. It is given by
• CCR = sum of current assets divided by Sum of current liabilities
• Again, a comparison of this measure with past and future measures is important in determining performance of the farm