RED WING SOFTWARE

The Basics of a Farm Balance Sheet

by Red Wing Software

A balance sheet is an indispensable tool for any business, and today's farms are no exception. In many ways, a balance sheet is more helpful for understanding the financial health of your farm than your profit or loss at any given moment. Profits and losses are often driven by external factors, like market cycles. A balance sheet gives you insight into your farm's long-term health and financial viability.

Still, the farming business is unique, and even if you're already thinking like a business manager, you may find that general accounting software isn't equipped to give you the detailed information and reporting you need. Agricultural accounting systems like CenterPoint Accounting for Agriculture from Red Wing Software can help you get the most out of your balance sheet — so you can get the most out of your farm.

What's in a Balance Sheet

A standard balance sheet is broken into two sides or columns. On one side are assets, or items your farming business owns, and on the other are liabilities, or what your business owes. Presenting them side-by-side makes these values easier to compare, like items on a balance scale. The difference between the valuations of your assets and liabilities gives you the net worth of your farm.

Assets can be divided into two main types: current assets and fixed assets. Current assets include items like cash, accounts receivable, and inventory such as livestock — basically, any assets that are "liquid," or that can be turned into cash. Fixed assets include items that are harder to convert, such as land, equipment, or vehicles. Some fixed assets like farm equipment can lose value over time, and understanding the current market value of these assets can be tricky. CenterPoint Accounting for Agriculture includes a depreciation tool included within CenterPoint Accounting, which helps you calculate these values automatically, saving you time, reducing human error, and helping you plan for future purchases.

Liabilities are similarly split into current and long-term liabilities. Current liabilities are those that are due immediately or in the short term, like accounts payable, payroll obligations, and the current portion of long-term loans. Long-term liabilities are those with a lifespan of longer than a year, such as mortgages and equipment loans.

P.O. Box 404
Red Wing, Minnesota 55066
800-732-9464

www.redwingsoftware.com

Balance Sheet Values

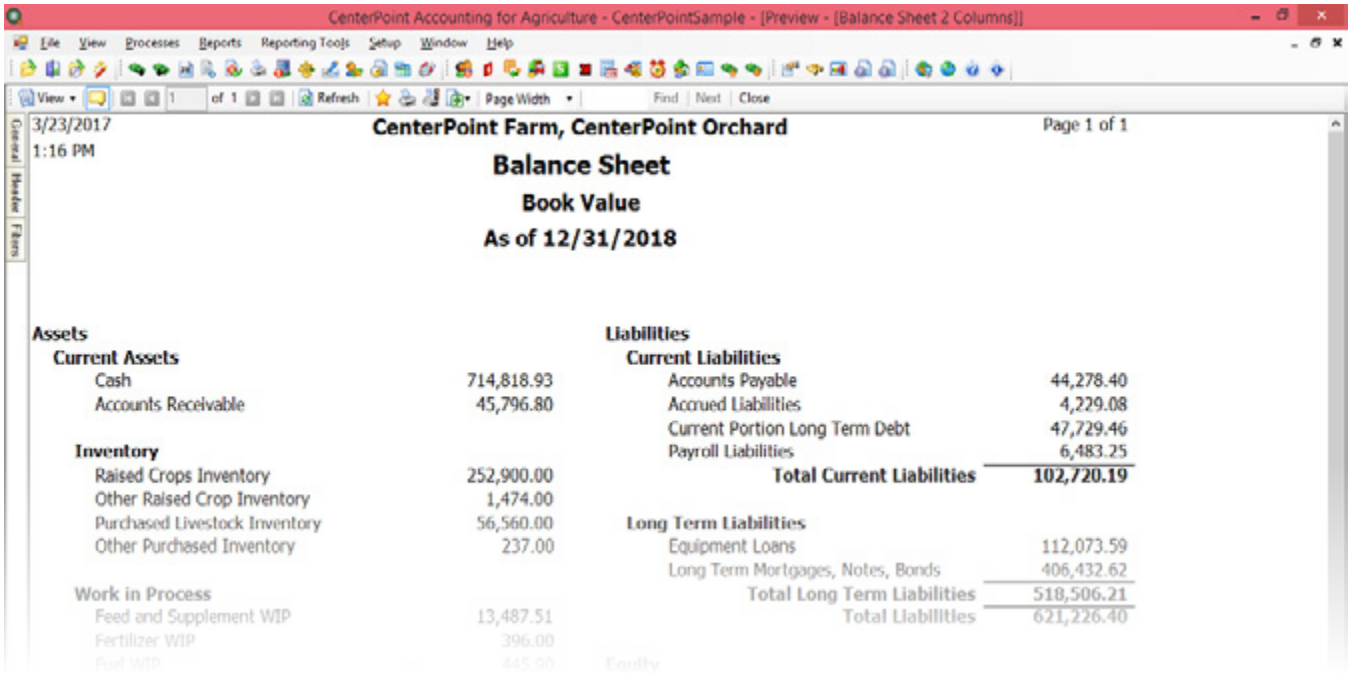
As straightforward as the components of a balance sheet are, there are still different ways to measure the values of your assets and liabilities. This is another area where agricultural accounting software offers advantages over general accounting software.

CenterPoint Accounting for Agriculture lets you view your balance sheet by book value, market value, and modified cash value: Each view will give you different tools for uncovering strengths and weaknesses in your financial outlook, so you can easily identify the steps you need to take in order to improve your position.

When creating a balance sheet, it is important to do your best to prepare it close to the same date each year — on December 31st, for example, if that is the end of your fiscal year. That consistency makes it easier to see how your financial situation compares and changes over time. With CenterPoint Accounting's real-time posting of all information, balance sheets are available at any time.

The Right Software for your Farm

CenterPoint Accounting for Agriculture from Red Wing Software was built with farmers' specific needs in mind. Red Wing Software has been a leader in agricultural accounting software since 1979, and CenterPoint Accounting for Agriculture is used by farmers across the United States. In addition to balance sheets and financial reporting, CenterPoint handles payroll, inventory management, cost of production, budgeting, and cash flow, all with built-in unparalleled customer support and training. CenterPoint makes it easy to keep all your financial information organized in one place, with tailored features that can help you accurately plan the future of your farm business, so you can spend less time worrying about accounting, and more time doing what you love.



P.O. Box 404
Red Wing, Minnesota 55066
800-732-9464