

The Balance Sheet

Jeffrey E Tranel
Agricultural & Business Management Economist
jtranel@colostate.edu

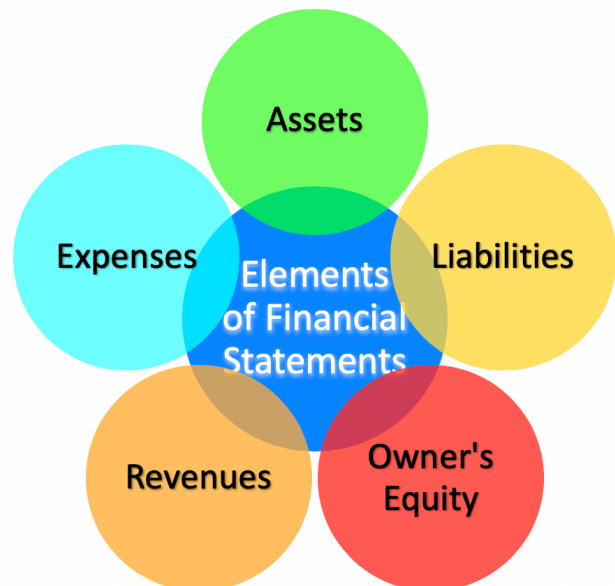


AGRICULTURE AND
BUSINESS MANAGEMENT
COLORADO STATE UNIVERSITY
EXTENSION



Financial Statements

1. Balance Sheet
2. Statement of Cash Flows
3. Income Statement
4. Statement of Owner Equity



What is a Balance Sheet?

List of all assets and liabilities for a business/person at a specific point in time.

	Business/Person	Date	
Assets – items that are owned	Assets	Liabilities	Liabilities – debts and other financial obligations owed to others
		Net Worth	Net Worth – value of assets owned by the business/person (owners)

Called a balance sheet because the total value of assets must “balance” with the value owed others plus value owed the owners.



Uses of a Balance Sheet?

- ❖ Shows the value of business assets and the amount of money owed others on a specific date
- ❖ Can provide a measure of business performance over a period of time
- ❖ Provides a cross check of financial records to ensure accuracy



Step 1: List Assets and Liabilities

Things We Own (Assets)	Things we Owe (Liabilities)
House	Credit union (Truck)
Land	Credit union (Boat)
Car	GMAC
Pickup Truck	Property taxes
Sheep	Bank Loan (Hoop House)
Shed	Dad (Loan for Van)
Hoop House	
Boat	
Van	



Step 2: Separate Personal and Business Assets and Liabilities

Things We Own (Assets)	Things we Owe (Liabilities)
House	Credit union (Truck)
Land	Credit union (Boat)
Car	GMAC
Pickup Truck	Property taxes
Sheep	Bank Loan (Hoop House)
Shed	Dad (Loan for Van)
Hoop House	
Boat	
Van	

Part
business,
part
personal



Step 3: Categorize Assets

Two categories of assets:

- 1. Current Assets** – cash, items held for sale, and inventories that will be converted to cash in the normal business process within one year.
- 2. Non-current Assets** – items used mainly to support farm production and have a life expectancy of more than one year.

Intermediate Assets

- ❖ Items with a life expectancy of 2-10 years.
- ❖ Could be converted to cash, but would significantly impact the business's ability to generate income.
- ❖ Breeding livestock, machinery, equipment.



Step 3 (cont.): Estimating Value

Book Value

Estimates value based on acquisition costs less depreciation.

Purchase Price	\$120,000
Transaction & Delivery Costs	\$2,000
Total Cost (Basis)	\$123,000
Accumulated Depreciation	\$52,713
Current Book Value	\$70,287

Market Value

Estimates value based on a price at which the asset could be sold.

Same model (2 yrs newer)	\$105,000
Lower model (4 yrs older)	\$65,000
Higher model (same year)	\$96,500
Same model (1 yr older)	\$84,300
Current Market Value	\$88,500



Step 3 (cont.): Estimating Value

Book Value

Estimates value based on acquisition costs less depreciation.

Provides the only accurate basis for estimating business performance by separating business growth from value increases caused by changes in asset values.

Market Value

Estimates value based on a price at which the asset could be sold.

Better represents the current market worth of the business owner.

Used by lenders to make lending decisions.



Step 4: Categorize Liabilities

Two categories of liabilities:

1. **Current Liabilities** – notes payable within one year, accounts payable, accrued interest, and the portions of non-current liabilities (principal and interest) due within 12 months.
2. **Non-current Liabilities** – those debts and other financial obligations payable in more than one year. Typically, associated with non-current assets and are payable over a number of years.

Intermediate Liabilities

- ❖ Debts payable over a period of 2-10 years.
- ❖ Typically, associated with intermediate assets.
- ❖ Debts pertaining to breeding livestock, machinery, equipment.



CSU's Balance Sheet



Completing a Balance Sheet, September 2020

By: Jeffrey E. Tranel, R. Brent Young, and Jenny Beiermann Agriculture and Business Management Economists

A balance sheet is a financial document listing all the assets and liabilities for a business or a person at a specific point in time. This Excel template allows a person to enter financial information for the farm or ranch business and personal (and non-farm/ranch business) financial information. The template will then generate three distinct balance sheets: one for the farm/ranch business, one for the

Input	Balance Sheet - Combined	Balance Sheet - FarmRanch	Balance Sheet - Personal	Schedule 1-2	Schedule 3-4	S
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CSU's Balance Sheet

As of what date are you completing the information?

1/1/2024

What is the farm/ranch's name?

Noah's Ark Land and Cattle

Under what type of legal entity does the farm/ranch operate?

Sub S - Subchapter S Corporation

If the farm/ranch operates under a legal structure other than a sole proprietorship, please list the names of all owners and their percentage of ownership or the number of shares owned. Enter the primary contact first.

Owner's Name	Ownership	
	Percent	Shares
Fred Flintstone	30.00%	
Wilma Flintstone	15.00%	
Barney Rubble	30.00%	
Betty Rubble	15.00%	
BamBam Rubble	5.00%	
Pebbles Flintstone-Rubble	5.00%	
Totals	100.00%	0

The personal information (assets and liabilities) is being entered for whom?

Fred & Wilma Flintstone



Input	Balance Sheet - Combined	Balance Sheet - FarmRanch	Balance Sheet - Personal	Schedule 1-2	Schedule 3-4	S
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CSU's Balance Sheet

BALANCE SHEET ~ COMBINED

Farm/Ranch Name: Noah's Ark Land and Cattle Date: 1/1/2024
 Primary Contact: Fred Flintstone Owner(s) of Personal Assets: Fred & Wilma Flintstone

CURRENT ASSETS		VALUE	CURRENT LIABILITIES		VALUE
Farm/Ranch					
Cash & Savings	Schedule 1a	0	Operating Loan		
Accounts Receivable	Schedule 2a	0	- Principal balance	Schedule 18a1	0
Marketable Securities	Schedule 3a	0	- Interest due as of this date	Schedule 18a2	0
Cash Value of Life Insurance	Schedule 4a2	0	Accounts Payable	Schedule 19a1	0

Other Assets	Schedule 17b	0			
TOTAL VALUE OF NON-CURRENT ASSETS		\$0	TOTAL NON-CURRENT LIABILITIES		\$0
TOTAL VALUE OF ASSETS		\$0	TOTAL LIABILITIES		\$0
EQUITY or NET WORTH			\$0		
CURRENT RATIO		#DIV/0!	DEBT TO ASSET RATIO		#DIV/0!
WORKING CAPITAL		\$0	Debt TO EQUITY RATIO		#DIV/0!
			- Principal due within 12 months		Schedule 21b3
			- Interest owed as of this date		Schedule 20b2
TOTAL VALUE OF CURRENT ASSETS		\$0	TOTAL CURRENT LIABILITIES		\$0

Input	Balance Sheet - Combined	Balance Sheet - FarmRanch	Balance Sheet - Personal	Schedule 1-2	Schedule 3-4	S
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CSU's Balance Sheet

Schedule 1-2

- 1a. Farm/Ranch Cash & Savings
- 1b. Personal Cash & Savings
- 2a. Farm/Ranch Accounts Receivable
- 2b. Personal Accounts Receivable

SCHEDULE 1a - FARM/RANCH CASH & SAVINGS			
	TYPE	BANK or INSTITUTION NAME	BALANCE
1			
2			
3			
4			
TOTAL			\$0

SCHEDULE 1b - PERSONAL CASH & SAVINGS			
	TYPE	BANK or INSTITUTION NAME	BALANCE
1			
2			
3			
4			
TOTAL			\$0

Farms/ranches and individuals often have checking and savings accounts. These "current assets" are liquid and can thus be used to purchase business related goods and services.

Schedule 1a: Enter the type, bank or institution where the money is held, and the balance as of the date of the balance sheet for each checking or savings account owned by the farm or ranch.

Schedule 1b: Enter the type, bank or institution where the money is held, and the balance as of the date of the balance sheet for each checking or savings account owned by the farm or ranch.

Input	Balance Sheet - Combined	Balance Sheet - FarmRanch	Balance Sheet - Personal	Schedule 1-2	Schedule 3-4	S
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CSU's Balance Sheet

- Schedule 1-2
 - 1a. Farm/Ranch
 - 1b. Personal Ca
 - 2a. Farm/Ranch
 - 2b. Personal A
- Schedule 3-4
 - 3a & 3b. Mark
 - 4a & 4b. Not F
- Schedule 5
 - 5a & 5b. Hedg
- Schedule 6-7
 - 6a & 6b. Life I
 - 7b. Retir

SCHEDULE 15a - FARM/RANCH MACHINERY & EQUIPMENT				
ITEM	DESCRIPTION (MAKE AND MODEL)	YEAR ACQUIRED	PERCENT OWNED	ESTIMATED MKT VALUE
1	Tractor			
2	Tractor			
3	Tractor			
4	Tractor			
5	ATV			
6	Combine			
7	Combine			
8	Platform			
9	Grain Head			

Schedule 15a
15a. Machinery and Equipment

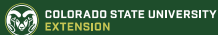


CSU's Balance Sheet

- Schedule 1-2
 - 1a. Farm/Ranch
 - 1b. Personal
 - 2a. Farm/Ranch
 - 2b. Personal
- Schedule 3-4
 - 3a & 3b. M
 - 4a & 4b. Nc
- Schedule 5
 - 5a & 5b. He
- Schedule 6-7
 - 6a & 6b. Lif
 - 7b. Re

SCHEDULE 18a - FARM/RANCH OPERATING LOAN							
PERSON or ENTITY OWED	SECURITY (COLLATERAL HELD)	DATE DUE	INT. RATE	PRINCIPAL BALANCE	INT. DUE TODAY	TOTAL AMT. DUE TODAY	
1						0	
2						0	
3						0	
TOTAL				\$0	\$0	\$0	
				18a1	18a2	18a3	

SCHEDULE 19a - FARM/RANCH NOTES PAYABLE WITHIN 12 MONTHS (includes open accounts, charge accounts, CCC loans, rents payable, lease payments, judgements)							
PERSON or ENTITY OWED	PURPOSE	DATE DUE	INT. RATE	CURRENT BALANCE	INT. DUE TODAY	TOTAL AMT. DUE TODAY	
1	Real Estate Taxes					0	
2						0	
3						0	



Balance Sheet

- ✓ A statement of the financial condition of a business or person at a specific point in time.
- ✓ Can provide a measure of business performance over a period of time.
- ✓ Assets – list of items owned.
- ✓ Liabilities – list of financial obligations.
- ✓ Net Worth – Portion of the value of the assets owned by the owner(s).

BALANCE SHEET ~ FARM/RANCH			
Farm/Ranch Name:		Noah's Ark Land and Cattle	Date:
Primary Contact:		Fred Flintstone	1/1/2024
CURRENT ASSETS		VALUE	CURRENT LIABILITIES
Farm/Ranch			Farm/Ranch
Cash & Savings	Schedule 1a	0	Operating Loan
Accounts Receivable	Schedule 2a	0	- Principal balance
Marketable Securities	Schedule 3a	0	- Interest due as of this date
Cash Value of Life Insurance	Schedule 4a2	0	Accounts Payable
Hedging Account Equity	Schedule 5a	0	Interest on Accounts Payable
Grain and Feed for Sale	Schedule 8a	0	Loans, 2-10 years
Grain and Feed for Use	Schedule 8a	0	- Principal due within 12 months
Supplies and Pre-Paid Expenses	Schedule 8a	0	- Interest owed as of this date
Investment in Growing Crops	Schedule 7a	0	Long-Term Debts & Mortgages
Market Livestock	Schedule 12a	0	- Principal due within 12 months
			- Interest owed as of this date
TOTAL VALUE OF CURRENT ASSETS		\$0	TOTAL CURRENT LIABILITIES
			\$0
INTERMEDIATE ASSETS		VALUE	INTERMEDIATE LIABILITIES
Farm/Ranch			Farm/Ranch
Breeding Livestock	Schedule 12a	0	Loans, 2-10 years
Machinery and Equipment	Schedule 15a	0	
Autos, Trucks, and Other Vehicles	Schedule 15a	0	
TOTAL VALUE OF INTERMEDIATE ASSETS		\$0	TOTAL INTERMEDIATE LIABILITIES
			\$0
LONG-TERM (NON-CURRENT) ASSETS		VALUE	LONG-TERM (NON-CURRENT) LIABILITIES
Farm/Ranch			Farm/Ranch - Principal Balances
Cash Value of Life Insurance	Schedule 6a	0	Long-Term Debts & Mortgages
Securities Not Readily Marketable	Schedule 4a	0	
Real Estate	Schedule 7a	0	
Other Assets	Schedule 7a	0	
TOTAL VALUE OF NON-CURRENT ASSETS		\$0	TOTAL NON-CURRENT LIABILITIES
			\$0
TOTAL VALUE OF ASSETS		\$0	TOTAL LIABILITIES
			\$0
			EQUITY or NET WORTH
			\$0
CURRENT RATIO		#DIV/0!	DEBT TO ASSET RATIO
WORKING CAPITAL		\$0	Debt TO EQUITY RATIO
			#DIV/0!



<https://abm.extension.colostate.edu>

- Financial Statements – The Farm/Ranch Balance Sheet (fact sheet)
- Completing a Balance Sheet (Excel template)
- Understanding Your Financial Health using Ratio Analysis (Excel template)
- Getting on Track: Financial Statements (on-line course)
- Getting on Track: Financial Analysis (on-line course)

Thank you



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