



Schedule of Assets

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Well designed schedules facilitate the calculation of values needed to complete financial statements, including the Balance Sheet, Cash Flow Statement, Income Statement, and Statement of Deferred Taxes and Valuation Equity (if used). This OSU Extension fact sheet provides instructions and forms for inventorying assets and documenting detail to support entries made in the financial statements¹. **Assets** include everything owned that has value, including claims against others. One set of schedules should be prepared for the beginning of the reporting period and a second set for the end of the reporting period. Schedules for the example farm of Jack and Julie London are included for illustration².

Methods for Valuation

Current market value is an amount which would be received if the asset was sold at the balance sheet date. The amount is usually determined by an appraisal and is therefore subjective. Current market value may be required by lenders when the asset will be used to secure a loan. Market value is used to estimate the amount of taxes that will be owed if the assets are sold and to estimate owner equity. An estimate of direct costs necessary to convert an asset to cash may be subtracted to record a **net realizable value**.

For depreciable assets, another method of valuation is **historical cost**.³ This method is most useful in estimating costs of the assets associated with generating income for each reporting period during the life of an asset. If an expensive machine will be used to produce revenues over a ten-year period, it is inappropriate to charge the entire cost to the year of purchase. A portion of the non-recoverable cost of acquisition should be charged to each year in which the asset will generate revenues⁴. This charge to each reporting period is known as **depreciation expense**. Historical cost provides a more conservative approach to valuation than the market value approach during inflationary periods.

An asset's **book value** is the cost less accumulated depreciation. When first acquired, an asset's book value is equal to the cost (accumulated depreciation is zero); at the end of its useful life, an asset's book value is equal to its salvage value (the asset has been fully depreciated).

The Farm Financial Standards Council recommends both current market value and book value be disclosed for most depreciable assets.⁵ Other valuation methods are recommended for certain types of assets and for those assets, cost or market value may or may not be considered important. **Net equity** may be used to determine the value of shares owned in cooperatives and investment in other entities. The most practical method of determining net equity is to utilize the financial reports made by those entities. The total equity for the entity is divided by the total number of outstanding shares to determine the **equity value per share**. This amount is then multiplied by the number of shares owned to arrive at net equity.

Depreciation Methods

Economic depreciation may be determined by one of several different methods. Each method relies on three components to calculate the depreciation expense. **Cost** is the original purchase price plus any additional expenses incurred to make the asset operational, e.g. freight, inspection, repairs, modifications, and installation. The asset's **useful life** is a second factor in determining depreciation since depreciation divides the expense of the asset over the time period in which it is used to generate revenue. The **salvage value** of the asset is the estimated market value of the asset at the end of its useful life.

The simplest method of calculating the depreciation expense to be charged to each reporting period is the **straight-line method**. This method allocates an equal amount of depreciation expense to each year of useful life:

$$\frac{(\text{cost} - \text{salvage value})}{\text{years of useful life}}$$

This often is the most practical and meaningful method. When calculating economic depreciation for financial reporting, a reasonable estimate of salvage value should be used. If it becomes apparent that the useful life, salvage value, or both are different than originally estimated, annual depreciation expense should be adjusted to reflect the revised estimates.

¹ OSU Extension Facts F-792, Liabilities Schedule, provides a form for summarizing liabilities.

² For additional information on the London farm, see OSU Extension Facts F-751, Developing a Cash Flow Plan; F-752, Developing a Balance Sheet; and F-753 Developing an Income Statement.

³ **Depreciable assets** are durable items whose value is used up over a period of several years. They are listed on the Balance Sheet as **non-current assets**. Typical examples are machinery and vehicles, fruit/nut trees and other trees, breeding livestock, buildings, and improvements. Land is not a depreciable asset as it is never "used up" and will generally maintain or raise in value.

⁴ The non-recoverable cost of acquisition is the difference between the cost of the asset and its salvage value.

⁵ Financial Guidelines for Agricultural Producers: Recommendations of the Farm Financial Standards Council (Revised), July 1995.

Use of an accelerated method of calculating depreciation for machinery, vehicles, and some buildings and improvements may be justified by the fact that, as the asset ages, maintenance costs tend to increase. Thus, a greater amount of depreciation expense may be recorded in the early years when maintenance costs are low and a lesser amount is recorded in later years when efficiency has decreased and maintenance costs are higher.

One method for calculating accelerated depreciation is **Sum-of-the-Years'-Digits**. This method is calculated by multiplying the non-recoverable cost of acquisition (cost less salvage value) by a fraction. The denominator (bottom number) of the fraction is the sum of the numbers representing each year of useful life. Thus the denominator for an asset with a useful life of five years would be: 1+2+3+4+5 = 15. The denominator may also be found by the formula:

$$n(n+1) \div 2, \text{ where } n = \text{years of useful life}$$

The numerator (top number) of the fraction is the number of years remaining in the asset's useful life at the beginning of each year. In this example, the fraction for year one would be 5/15, year two would be 4/15, etc. so that the depreciation expense in year five would be 20 percent of that recorded in year one.

Double Declining Balance is another common method for calculating accelerated depreciation. It is calculated by multiplying book value (cost less accumulated depreciation) at the beginning of each year by twice the straight-line rate. For example, if the useful life of an asset is five years, 20 percent of the non-recoverable acquisition cost would be recorded as depreciation expense each year using the straight-line method. Therefore, 40 percent of book value would be recorded annually as depreciation expense using the double declining balance method. At some point, this method would reduce book value below salvage value (year four for property with a useful life of five years). This is handled by changing depreciation methods to straight-line in that year.

Another declining balance method is **150 percent declining balance**. With this method, the straight-line rate is multiplied by 1.5 rather than 2 as was used for double declining balance. The 150 percent declining balance method will not reduce book value to salvage value by the end of the useful life. A change to the straight-line method is made when the straight line method results in a greater depreciation expense than does the 150 percent declining balance method.

In summary, the annual depreciation expense may be calculated as:

1. Straight-line

$$D_{SL} = \frac{OC - SV}{N}$$

2. Double Declining

$$D_{ddb} = \frac{2}{N} \times R$$

3. 150% Declining Balance

$$D_{150ddb} = \frac{1.5}{N} \times R$$

where:

OC = Original Cost (includes freight and expenses needed to make the item operational)

SV = Projected salvage value

N = Asset's expected economic life (number of years)

R = Remaining book value at the beginning of the year

Current Assets

Current assets are cash and other assets which are typically and easily converted to cash in the course of business during the year without any loss in value. The London's current assets are summarized on the Current Asset Schedule.

Cash and checking. Cash balances in various checking accounts and savings accounts may be listed at the option of the person preparing the schedules.

Marketable securities. Stock shares, bonds, and other securities which may be readily sold should be itemized. Market value may be obtained from financial quotations found in most large newspapers. When used for planning purposes, market value at the end of the planning period may be estimated based on past performance. The Londons have only a single issue of stock. On February 1, the market quote was \$55.00 per share. This multiplied by 40 shares owned, gives the total value of \$2,200. Total cost of the shares when purchased was \$1,785 which is entered as the tax basis.

Accounts receivable is a value for goods and services which have been provided but for which payment has not been received. If the receipt of payment for any of the accounts is doubtful, the amount is not included. The subtotal for accounts receivable is transferred to the balance sheet, line 3. The Londons have no accounts receivable on the balance sheet date.

Prepaid expenses include expenditures for goods or services which have not yet been received as of the schedule date or which cannot be readily classified as work in process. One example is cash rent which has been paid for a lease that will expire some time in the future. Another example is fertilizer which has been applied to the soil for a crop which has not yet been planted. The subtotal for prepaid expenses is transferred to line 4 of the balance sheet.

If the crop is actually growing, this amount will be part of **cash investment, growing crops** (subtotal to line 5 of the balance sheet). However, until a crop is planted, the cost of the applied fertilizer is a prepaid expense. The London example shows no prepaid expenses. Cash expenses for planting 569 acres of winter wheat and oats which were growing on the date of record are \$21,085 (an average cost of \$37.06 per acre).

For growing crops, the total cost of the cash investment is also used as the market value of growing crops.

Marketable Livestock are usually valued by weight (cwt or lb.), but are sometimes valued at so much per head. Livestock purchased for resale should be listed separately from raised livestock. Livestock are grouped according to weight and gender when this affects price per pound. Market value is estimated using local market quotations and estimated or actual weight of the animals. The market value for each animal is multiplied by the number of head in each group to arrive at the total market value for each listing. The sum of the determined market values is then transferred to the balance sheet.

The Londons have made four entries for marketable livestock: two groups of purchased steers at different weights, plus raised steers and raised heifers. On the first line, 148 head of 610 pound steers valued at \$86 per cwt (\$0.86 per pound) local market price = \$77,641 total value (rounded). The remaining lines are completed in the same manner. The total market value for all marketable livestock, \$128,564, is entered on line 6 of the balance sheet.

The market value of **raised crops and feed** is based on market price as of the date of the schedule. Included in this category are raised crops which are stored for sale at a later date and those which will be fed on the farm. The Londons list 38 tons of prairie hay and 750 bushels of oats with a total market value of \$2,870 to be entered on line 7 of the balance sheet.

Purchased Feed should be reported at cost. This value will usually not be very different from current market value unless a large amount of feed has been purchased and held for an extended period of time. An exception would be if feed is purchased for resale. The total value of purchased feed on the London farm was \$162 on February 1, and is entered on line 8 of the balance sheet.

Supplies are generally difficult to inventory due to the number and variety of items. Fuel, oil, lubricants, veterinary medicines, baling twine, fencing materials, nails, and welding rods are but a few examples. Some effort should be given to list those items of significant value. Others may be included as miscellaneous and given a single estimated value. Supplies should be entered at cost which will usually be similar to current market value. The total, \$508, is entered on line 9 of the London's balance sheet.

Other Entries may include farm savings and non-farm current assets. Savings are generally regarded as a non-farm account and recorded on line 12 of the balance sheet. If the funds are intended for farm use only, savings are entered on line 10 of the Balance Sheet, "Other Current Assets".

Non-Current Assets

Non-current assets are durable items which have a useful life of more than one year, for example, breeding livestock, machinery, equipment, and real estate. For a market-based balance sheet, **Purchased Breeding Stock** are valued at the current market price. Current market price could be interpreted as a price which represents replacement breeding stock or slaughter price. Although some animals are culled and sold for slaughter from time to time, using slaughter price tends to understate the value of the animals. Using the price of purchasing a replacement of like quality is recommended when estimating market value. It is not necessary to value each animal separately; an average value for the entire herd or for groups based on age or other factors is adequate.

The initial cost should be recorded as the average cost per animal purchased multiplied by the number of those placed in the herd. Annual economic depreciation expense is calculated by subtracting the expected salvage value (price expected when culled from the herd) from the purchase price and dividing by the number of years that the animal is expected to be kept for breeding purposes. Only a part of this amount is recorded for the year of purchase unless the purchase was made very close to the asset schedule date. Accumulated depreciation keeps track of the total depreciation recorded to date and is subtracted from the original cost to arrive at a depreciation-adjusted cost basis, or book value.

In the London example, only herd bulls are purchased. One bull was purchased in 1999 for \$1,000 and is expected to be sold in the year 2004. At the time of purchase, they estimated that slaughter price would be close to purchase price and recorded no depreciation. Two bulls were purchased in November 2002 for \$1,200 each. The Londons expect to keep these two bulls for five years and estimate their salvage value to be \$950 each. Annual depreciation expense for the two bulls purchased is \$100:

$$\frac{(2400 - 1900)}{5} = 100$$

On February 1, 2003 they recorded accumulated depreciation of \$25 for November through January ($\$100 \div 12$ months per year \times 3 months elapsed time = \$25). On February 1, 2004 they record another \$100 of depreciation expense and accumulated depreciation of \$125. Subtracting accumulated depreciation from the total cost of \$2,400 leaves a book value of \$2,275 for both bulls.

Market value for **raised breeding stock** is determined in the same manner as for purchased breeding stock. Cost determination for raised breeding stock is more complicated. Full cost absorption involves extensive record keeping to calculate the cost of raising individual animals or groups of animals to production age. The costs are not expensed, but are depreciated over the useful life once the animal reaches production. A simpler, and therefore less expensive, method is base value. An estimate of the cost to raise an animal to production is used. The costs are expensed and base value is not depreciated. The Farm Financial Standards Council recognizes both full cost absorption and base value as acceptable. A more complete discussion of valuation of raised breeding stock is given in OSU Extension Facts F-323. The base value method was chosen for the London farm example. The Londons estimate the cost of raising replacement heifers to weaning age, \$190; breeding age, \$380; and first calf age, \$475. These estimated costs are multiplied by the number of animals in each group and recorded in the columns for cost and book value. The base value is held constant year after year until the cost changes significantly.

Market value for **machinery and equipment** usually declines rapidly in the first few years that a new item is placed in service and more gradually in later years. However, machinery values may actually increase during times when farming is profitable and when the price for new machinery is increasing. Market value should be estimated for each major piece of machinery using local market conditions. The value entered should be the best estimate of what the machine would bring if it were sold on the date of the balance sheet.

Cost is recorded at the original purchase price, including any costs for freight and/or modification necessary to place the machine in service. To calculate annual depreciation expense, subtract the expected salvage value from cost and divide by the estimated number of years that the machine will be in use. Accumulated depreciation is found by multiplying the number of years and partial years that the machine has been used at the asset schedule date. The Non-current Asset Schedule lists the London's machinery.

The Versatile tractor was purchased in May 2002 for \$96,000. They expect to use it for 15 years and estimate the tractor's salvage value as \$24,000 at the end of that time period. Annual depreciation expense is $(\$96,000 - \$24,000) \div 15 = \$4,800$. Depreciation expense for May 2002 through January 2003 is $(\$4,800 \div 12 \times 9) = \$3,600$. This is the accumulated depreciation recorded on February 1, 2003. For the year 2004 statements in the example, an additional \$4,800 is added to the previously recorded \$3,600 for an accumulated depreciation of \$8,400. This amount is subtracted from the original cost to arrive at the book value of \$87,600.

The Gleaner combine was purchased in February 1992. Annual depreciation is $(\$105,450 - \$20,000) \div 12 = \$7,120.83$. Accumulated depreciation 1992 through 2004 is $\$7,120.83 \times 12 = \$85,450$. Book value is $\$105,450 - \$85,450 = \$20,000$.

Farm **vehicles** are valued exactly like machinery and equipment and are entered on line 17 of the balance sheet. Personal vehicles, however, which are not used primarily in operating the farm should be excluded. These vehicles would be entered on the balance sheet (line 27) as non-farm assets.

Capital leases are, in simple terms, “lease-purchase” agreements. Title to the item acquired by a capital lease is transferred to the lessee at some point or the major part of the value of the item is used up by the lessee over the term of the lease. Specific rules apply to determine if a capital lease exists. See OSU Extension Facts F-935 for more detailed information about capital leases. Farm assets acquired by capital lease are usually machinery or vehicles and are entered in the schedules in the same manner, but separate from the machinery and vehicles listings. The FFSC recommends that book value be recorded in the balance sheet regardless of whether the remainder of the balance sheet is developed using a cost or market basis. In the London example, a combine will be acquired by capital lease in March 2004. Original cost is \$87,999, determined by discounting the payments to present value. Expected useful life is 10 years and estimated salvage value is \$15,000. Annual depreciation expense is $(\$87,999 - \$15,000) \div 10 = \$7,299.90$. Depreciation expense charged in the purchase year is $\$7,299.90 \div 12 \times 11 = \$6,691.58$. Book value, $\$87,999 - \$6,691.58 = \$81,307$ (rounded), is entered in the ending balance column on line 18 of the balance sheet.

The market value for **Real Estate (Land)** is determined by appraisal, usually made by the owner. This value should reflect the best estimate of what the land could be sold for at the balance sheet date. Cost is the original amount paid for the land plus any costs for terraces, water wells and ponds which are fixed to the land and which were not expensed. Land is assumed to maintain its productive capacity and is not depreciated. Therefore, land’s book value is equal to its cost.

Buildings and Other Forms of Improvements are real property, but the value is depreciated. Market values for buildings, silos and other improvements are estimates of the price which would be received if the land were sold on the asset schedule date. Depreciation is calculated in the same manner as for machinery and other depreciable farm assets. The main difference is that the useful life is usually much longer.

Non-current **Non-Farm Assets** should be listed separately from farm assets so that accurate business financial statements can be prepared. The rules applied to farm assets also apply when determining market value, cost, depreciation, and book value of non-farm assets.

Economic Gains (Losses on the Sale of Assets)

Gains and losses on the sale of assets are generally determined by the amount that sale price exceeds the book value of the asset. Here, the focus is on economic gains and losses rather than taxable gains and losses. Hence, market value is compared to the book value rather than the tax basis.⁶

⁶ A common practice is to use tax depreciation rather than economic depreciation to determine the book value of assets. However, the IRS depreciation schedule may, or may not, approximate economic depreciation. Using the tax depreciation method is simpler because depreciation expense needs to be calculated only once. The tax depreciation method will not cause significant problems if farmers replace depreciable assets of a like-dollar amount each year; however, this is not the usual replacement schedule. Therefore, use of tax depreciation may seriously reduce the comparability of financial statements from year to year.

For marketable securities, the book value (cost basis) is equal to the original cost of the securities including brokerage fees, if any. Book value for purchased market livestock is the original purchase price. For the Londons, the book value of purchased market livestock, \$66,825, was the total cost of the purchased steers. The costs of raising animals to a heavier weight are expensed and do not affect the cost basis.

The costs of raised marketable livestock (e.g. raised stackers) are also expensed so proceeds from their sale is operating income (rather than a gain or loss). Likewise, proceeds from sale of raised crops and feed are operational income since the costs of production are expensed during the period.

Gain/Loss from the Sale of Culled Breeding Stock sums gains and losses from sales of raised and purchased breeding animals culled. For raised breeding livestock, the gain/loss is calculated by subtracting the base value from the sale proceeds; for purchased breeding stock, subtract the cost basis from the sale proceeds to determine the gain or loss. A positive number indicates a gain on the sale; a negative number indicates a loss on the sale. Only the gain from the sale — not the gross revenue — is recorded; otherwise the revenue will be overstated. The Londons plan to cull a purchased bull and eight raised cows from the breeding herd. The purchased bull with a book value of \$1,000 is expected to sell for \$960, a loss of \$40 (960-1,000) and the cows are expected to net \$3,510, a loss of \$290 when compared to their base value (London Non-Current Assets Schedule). Thus, the total gain/loss on culled breeding stock is negative \$330 (-290-40). If a material downsizing or complete liquidation of the herd occurs, the gain/loss on sale should be recorded on the income statement (line 60) after Net Farm Income from Operations and before accrual adjusted Net Farm Income.

Gain/Loss on Sales of Farm Capital Assets (line 60) sums gains and losses from the sale of farm vehicles, machinery, equipment, buildings, etc. While not a routine operating item, sales of capital assets and marketable securities are used to determine the overall farm profit or loss for the accounting period. The difference between the value for which the item is sold and the adjusted cost or basis is the amount of depreciation that was over or under expensed in previous time periods. The Londons plan to sell a combine and expect a \$500 loss.

Jack and Julie London estimate a depreciation expense of \$22,164 for year 2004 using the straight-line method for all depreciable assets.

Values for Tax Purposes

When an asset is purchased, the tax basis is the original cost of a depreciable asset for which a business expense, depreciation, may be claimed for tax purposes. During the asset’s useful life, tax basis is also used to describe the remaining cost which has not been claimed in prior periods. Costs of major repairs, such as an engine overhaul or a new roof on a building, are added to the remaining tax basis for depreciation rather than expensed in the year when the repair occurs.

Tax depreciation is a method of allocating the cost of an asset, a business expense, to each tax year during the life of the asset. The method and the life of the asset are specified by Congress and disclosed by the Internal Revenue Service. It is determined by subtracting the allowable depreciation specified in IRS publications from the purchase price.

Modified Accelerated Cost Recovery System (MACRS) is an accelerated tax depreciation method, in use at the time this fact sheet was written, to allocate the cost of an asset for tax purposes and encourage investment in durable goods. Machinery, for example, can be fully depreciated in seven years (actually 8 years because only one-half of annual depreciation is recognized in the year of purchase). Salvage value is set at zero. Therefore, any amount recovered upon disposal after the depreciation period is taxable as regular income. The amount received on the sale or trade-in is used to reduce the tax basis of an asset of the same kind which is purchased as a replacement. Thus the tax is deferred until the end of the useful life of the replacement asset. This also results in a smaller annual tax depreciation expense for the replacement asset. The deferral process can be continued indefinitely.

In the year 2004, Jack and Julie will claim \$28,993 as depreciation expense on their income tax returns. If they had used tax depreciation rules to prepare the financial statements, Net Income would have been reported as \$48,907 which is \$6,829 lower than actual Net Income of \$55,736. This is a difference of over 12 percent. Since the change in Retained Earnings for the year is directly related to Net Income, the use of tax depreciation rules would have caused an overstatement in reported retained earnings of 17.9 percent.

Summary

Valuation of durable goods at current market value, cost, book value, and tax basis are all useful in determining the overall financial position of a farm business. Agricultural producers should understand the difference between depreciation expense which is used for financial reporting and tax depreciation which is set by Congress for a different purpose.

Current Assets Schedule¹

Name: *Jack & Julie London*

Date: February 1, 2004

| Description ² | Number | Unit ³ | Market value per unit (\$) ⁴ | Total market value (\$) | Cost per unit (\$) | Total Cost (\$) ⁵ |
|----------------------------------------------|--------|-------------------|-----------------------------------------|-------------------------|--------------------|------------------------------|
| Cash and Checking | | | | 6,388 | | |
| Marketable Securities | | | | | | |
| Wal-Mart Stock | 40 | shares | 55.00 | 2,200 | 44.62 | 1,785 |
| Cash Investment - growing crops ⁶ | | | | | | |
| Wheat | 506.2 | acres | | 18,755 | 37.05 | 18,755 |
| Oats | 63 | acres | | 2,330 | 36.98 | 2,330 |
| Sub Total - Growing Crops | | | | 21,085 | | 21,085 |
| Marketable Livestock | | | | | | |
| Steers, 610 lb. @ 86¢/lb | 148 | head | 524.60 | 77,641 | 451.52 | 66,825 |
| Raised Steers, 660 lb. @ 86¢/lb | 28 | head | 567.60 | 15,893 | — | — |
| Raised Heifers, 630 lb. @ 82.5¢/lb | 19 | head | 519.75 | 9,875 | — | — |
| Steers, 585 lb. @ 86¢/lb | 50 | head | 503.70 | 25,155 | 425 | 21,250 |
| Sub Total - Mrkt Lvstk | | | | 128,564 | | 88,075 |
| Stored Crops and Feed | | | | | | |
| Prairie Hay | 38 | tons | 40.00 | 1,520 | — | — |
| Oats | 750 | bushels | 1.80 | 1,350 | — | — |
| Sub Total - Strd Crps & Feed | | | | 2,870 | | |
| Purchased Feed | | | | | | |
| Minerals | .65 | tons | 145.00 | 94 | 145.00 | 94 |
| Protein Supplement | 8 | bags | 8.45 | 68 | 8.45 | 68 |
| Sub Total - Purch. Feed | | | | 162 | | 162 |
| Supplies | | | | | | |
| Steel Posts | 75 | posts | 2.69 | 202 | | 202 |
| Diesel Fuel | 250 | gallons | .78 | 195 | | 195 |
| Oil | 20 | gallons | 4.60 | 92 | | 92 |
| Grease | 1.5 | cartons | 12.90 | 19 | | 19 |
| Sub Total - Supplies | | | | 508 | | 508 |
| Total Current Farm Assets | | | | \$161,777 | | |
| Non-farm Assets | | | | | | |
| Savings | | | | 22,427 | | |
| TOTAL CURRENT ASSETS | | | | \$184,204 | | |

¹ Include cash and checking accounts, marketable securities, accounts receivable, prepaid expenses, cash investment in growing crops, market livestock inventories, stored crops and feed, purchased feed, supplies, other current assets and non-farm assets including savings and other non-farm assets. Subtotals for each of these groups of assets transfer to the balance sheet.

² Include average weight on market livestock.

³ Shares, certificates, head, bushels, cwt, tons, bags, spools, cartons, doses, acres, etc.

⁴ May not differ from cost.

⁵ In most instances total cost will be equal to tax basis.

⁶ The total cost of the cash investment in growing crops is also used as the market value of growing crops.

Current Assets Schedule ¹

Name: _____ Date: _____

| Description ² | Number | Unit ³ | Market value per unit (\$) ⁴ | Total market value (\$) | Cost per unit (\$) | Total Cost (\$) ⁵ |
|----------------------------------------------|--------|-------------------|-----------------------------------------|-------------------------|--------------------|------------------------------|
| Cash and Checking | | | | | | |
| Marketable Securities | | | | | | |
| Cash Investment - growing crops ⁶ | | | | | | |
| | | | | | | |
| | | | | | | |
| Sub Total - Growing Crops | | | | | | |
| Marketable Livestock | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Sub Total - Mrkt Lvstk | | | | | | |
| Stored Crops and Feed | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Sub Total - Strd Crps & Feed | | | | | | |
| Purchased Feed | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Sub Total - Purch. Feed | | | | | | |
| Supplies | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Sub Total - Supplies | | | | | | |
| Total Current Farm Assets | | | | | | |
| Non-farm Assets | | | | | | |
| Savings | | | | | | |
| TOTAL CURRENT ASSETS | | | | | | |

1 Include cash and checking accounts, marketable securities, accounts receivable, prepaid expenses, cash investment in growing crops, market livestock inventories, stored crops and feed, purchased feed, supplies, other current assets and non-farm assets including savings and other non-farm assets. Subtotals for each of these groups of assets transfer to the balance sheet.
 2 Include average weight on market livestock.
 3 Shares, certificates, head, bushels, cwt, tons, bags, spools, cartons, doses, acres, etc.
 4 May not differ from cost.
 5 In most instances total cost will be equal to tax basis.
 6 The total cost of the cash investment in growing crops is also used as the market value of growing crops.

London Non-current

Date: Feb. 1, 2004

Name: Jack & Julie London

| Description ² | Mo./yr. purchased | No. (A) | Market value per unit | Total market value ³ | Cost per unit (B) | Total cost (A x B) | Years of useful life |
|-------------------------------------|-------------------|---------|-----------------------|---------------------------------|-------------------|--------------------|----------------------|
| Purchased Breeding Livestock | | | | | | | |
| <i>Bull-7 yr. old</i> | 1/99 | 1 | 960 | 960 | 1,000 | 1,000 | 5 |
| <i>Bull-4 yr. old</i> | 11/02 | 2 | 1,200 | 2,400 | 1,200 | 2,400 | 5 |
| Raised Breeding Livestock | | | | | | | |
| <i>Replacement heifers</i> | --- | 9 | 425 | 3,825 | 190 | 1,710 | --- |
| <i>Bred heifers</i> | --- | 8 | 600 | 4,800 | 380 | 3,040 | --- |
| <i>Cows</i> | --- | 60 | 700 | 42,000 | 475 | 28,500 | --- |
| Subtotals - Brdg Lvstk | | | | 53,985 | | | |
| Machinery & Equipment | | | | | | | |
| <i>Versatile 946</i> | 5/02 | 1 | 73,500 | 73,500 | 96,000 | 96,000 | 15 |
| <i>Krause 30' disk</i> | 5/02 | 1 | 9,950 | 9,950 | 12,500 | 12,500 | 15 |
| <i>N6 Gleaner combine</i> | 2/92 | 1 | 19,500 | 19,500 | 105,450 | 105,450 | 12 |
| <i>Kent 45' springtooth</i> | 7/95 | 1 | 3,200 | 3,200 | 4,800 | 4,800 | 20 |
| <i>Sunflower 20' chisel</i> | 3/99 | 1 | 7,800 | 7,800 | 10,285 | 10,285 | 16 |
| <i>JD 54x8 drill</i> | 4/98 | 1 | 15,000 | 15,000 | 24,000 | 24,000 | 12 |
| <i>NH 855 baler</i> | 1/99 | 1 | 9,500 | 9,500 | 13,225 | 13,225 | 12 |
| <i>NH 1112 swather</i> | 3/00 | 1 | 7,500 | 7,500 | 9,100 | 9,100 | 15 |
| Subtotals - Mach & Equip | | | | 145,950 | | | |
| Farm Vehicles | | | | | | | |
| <i>Ford F-600</i> | 10/85 | 1 | 5,000 | 5,000 | 14,500 | 14,500 | 25 |
| <i>GMC C-6500</i> | 4/99 | 1 | 9,500 | 9,500 | 12,000 | 12,000 | 13 |
| <i>Dodge Pickup</i> | 12/03 | 1 | 16,500 | 16,500 | 19,325 | 19,325 | 5 |
| Subtotals - Vehicles | | | | 31,000 | | | |
| Investment in Cooperatives | | | | | | | |
| <i>Klondike Farmers Coop</i> | | 1 | | 18,630 | | | |
| Real Estate (Land) | | | | | | | |
| <i>NE 1/4 Sec 21</i> | | 160 | 535 | 85,600 | 350 | 56,000 | |
| <i>NW 1/4 Sec 21</i> | | 160 | 600 | 96,000 | 370 | 59,200 | |
| <i>E 1/2 Sec 16</i> | | 320 | 546 | 174,720 | 500 | 160,000 | |
| <i>NW 1/4 Sec 15</i> | | 160 | 572 | 91,520 | 725 | 116,000 | |
| <i>NW 1/4 Sec 36</i> | | 160 | 550 | 88,000 | 975 | 156,000 | |
| Subtotals - Real Estate | | | | 535,840 | | | |
| Buildings & Improvements | | | | | | | |
| <i>Hay barn</i> | 9/86 | 1 | 7,000 | 7,000 | 15,000 | 15,000 | 30 |
| <i>Farm house</i> | 6/92 | 1 | 65,000 | 65,000 | 78,000 | 78,000 | 40 |
| <i>Farm shop</i> | 5/97 | 1 | 15,000 | 15,000 | 19,760 | 19,760 | 40 |
| <i>Machine shed</i> | 6/99 | 1 | 25,000 | 25,000 | 29,800 | 29,800 | 40 |
| Subtotals - Bldg & Imprv | | | | 112,000 | | | |
| Non-farm Assets | | | | | | | |
| <i>Cash Value of Life Insurance</i> | | | | 3,740 | | | |
| <i>Rent house</i> | 4/89 | 1 | 30,000 | 30,000 | 28,500 | 28,500 | 22 |
| Total Non-Current Assets | | | | 931,145 | | | |

- 1 Non-current assets include breeding livestock, machinery, equipment, vehicles, investments in capital leases, contracts and notes receivable, investments in should be maintained separately.
- 2 Indicate whether new or used.
- 3 May also be used to record the sale price of assets sold.
- 4 For straight line depreciation, annual depreciation = (Total cost - Salvage value)/(Years of life). When the asset is first purchased, the amount of depreciation taken asset is purchased March 1, 10/12 of the year remains so the annual depreciation amount is multiplied by 10/12 to arrive at the depreciation amount for that year.
- 5 Cost minus accumulated depreciation. Base value for breeding livestock.
- 6 May also record death losses here.
- 7 Price received per unit minus book value per unit times number sold.
- 8 Depreciation schedules should be attached to your tax return and will list tax basis in depreciable assets.

Assets Schedule¹

Depreciation Method: Straight Line Double Declining Balance 150 Declining Balance

Raised Breeding Livestock Valuation Method: Base Value, Group Approach Base Value, Individual Animal Approach
 Full Cost Absorption

| Salvage value (Total) | Depreciation expense ⁴ | Accumulated depreciation (Total) | Book value ⁵ | Units sold ⁶ | Date sold | Price Recv'd | Gain/loss on sale ⁷ | Tax Basis ⁸ |
|-----------------------|-----------------------------------|----------------------------------|-------------------------|-------------------------|-----------|--------------|--------------------------------|------------------------|
| 1,000 | 0 | 0 | 1,000 | 1 | 4/04 | 960 | -40 | 42 |
| 1,900 | 100 | 125 | 2,275 | | | | | 1,428 |
| --- | --- | --- | 1,710 | | | | | --- |
| --- | --- | --- | 3,040 | | | | | --- |
| --- | --- | --- | 28,500 | 8 | 3&10/04 | 3,510 | -290 | --- |
| | | | 33,250 | | | | -330 | |
| 24,000 | 4,800 | 8,400 | 87,600 | | | | | 67,353 |
| 2,000 | 700 | 1,225 | 11,275 | | | | | 8,770 |
| 20,000 | 7,121 | 85,450 | 20,000 | 1 | 4/04 | 19,500 | -500 | 0 |
| 1,000 | 190 | 1,631 | 3,169 | | | | | 0 |
| 3,500 | 424 | 2,085 | 8,200 | | | | | 3,150 |
| 6,000 | 1,500 | 8,750 | 15,250 | | | | | 0 |
| 5,000 | 685 | 3,484 | 9,741 | | | | | 4,051 |
| 2,000 | 473 | 1,854 | 7,246 | | | | | 3,907 |
| | | | 162,481 | | | | -500 | 87,231 |
| 3,500 | 440 | 8,067 | 6,433 | | | | | 0 |
| 4,500 | 577 | 2,788 | 9,212 | | | | | 1,000 |
| 5,000 | 2,865 | 478 | 18,848 | | | | | 16,426 |
| | | | 34,493 | | | | | 17,426 |
| | | | | | | | | |
| | | | | | | | | |
| | | | 56,000 | | | | | 56,000 |
| | | | 59,200 | | | | | 59,200 |
| | | | 160,000 | | | | | 160,000 |
| | | | 116,000 | | | | | 116,000 |
| | | | 156,000 | | | | | 156,000 |
| | | | 547,200 | | | | | 547,200 |
| 0 | 500 | 8,708 | 6,292 | | | | | 4,200 |
| 30,000 | 1,200 | 14,000 | 64,000 | | | | | 78,000 |
| 5,000 | 369 | 2,491 | 17,269 | | | | | 12,262 |
| 5,000 | 620 | 2,893 | 26,907 | | | | | 21,001 |
| | | | 114,468 | | | | | 115,463 |
| | | | | | | | | 0 |
| 20,000 | 386 | 5,731 | 22,769 | | | | | 14,466 |

cooperatives, land, buildings and improvements and other non-current assets. A schedule for raised breeding livestock as well as a non-farm asset inventory

the first year is the annual depreciation amount multiplied by the proportion of the year remaining. For example, if the accounting year begins January 1 and the

London Non-current

Date: Feb. 1, 2004

Name: Jack & Julie London

| Description ² | Mo./yr. purchased | No. (A) | Market value per unit | Total market value ³ | Cost per unit (B) | Total cost (A x B) | Years of useful life |
|-------------------------------------|-------------------|---------|-----------------------|---------------------------------|-------------------|--------------------|----------------------|
| Purchased Breeding Livestock | | | | | | | |
| <i>Bull-7 yr. old</i> | | | | | | | |
| <i>Bull-4 yr. old</i> | | | | | | | |
| Raised Breeding Livestock | | | | | | | |
| <i>Replacement heifers</i> | | | | | | | |
| <i>Bred heifers</i> | | | | | | | |
| <i>Cows</i> | | | | | | | |
| Subtotals - Brdg Lvstk | | | | | | | |
| Machinery & Equipment | | | | | | | |
| <i>Versatile 946</i> | | | | | | | |
| <i>Krause 30' disk</i> | | | | | | | |
| <i>N6 Gleaner combine</i> | | | | | | | |
| <i>Kent 45' springtooth</i> | | | | | | | |
| <i>Sunflower 20' chisel</i> | | | | | | | |
| <i>JD 54x8 drill</i> | | | | | | | |
| <i>NH 855 baler</i> | | | | | | | |
| <i>NH 1112 swather</i> | | | | | | | |
| Subtotals - Mach & Equip | | | | | | | |
| Farm Vehicles | | | | | | | |
| <i>Ford F-600</i> | | | | | | | |
| <i>GMC C-6500</i> | | | | | | | |
| <i>Dodge Pickup</i> | | | | | | | |
| Subtotals - Vehicles | | | | | | | |
| Investment in Cooperatives | | | | | | | |
| <i>Klondike Farmers Coop</i> | | | | | | | |
| Real Estate (Land) | | | | | | | |
| <i>NE 1/4 Sec 21</i> | | | | | | | |
| <i>NW 1/4 Sec 21</i> | | | | | | | |
| <i>E 1/2 Sec 16</i> | | | | | | | |
| <i>NW 1/4 Sec 15</i> | | | | | | | |
| <i>NW 1/4 Sec 36</i> | | | | | | | |
| Subtotals - Real Estate | | | | | | | |
| Buildings & Improvements | | | | | | | |
| <i>Hay barn</i> | | | | | | | |
| <i>Farm house</i> | | | | | | | |
| <i>Farm shop</i> | | | | | | | |
| <i>Machine shed</i> | | | | | | | |
| Subtotals - Bldg & Imprv | | | | | | | |
| Non-farm Assets | | | | | | | |
| <i>Cash Value of Life Insurance</i> | | | | | | | |
| <i>Rent house</i> | | | | | | | |
| Total Non-Current Assets | | | | | | | |

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The Oklahoma Cooperative Extension Service

Bringing the University to You!

The Cooperative Extension Service is the largest, most successful informal educational organization in the world. It is a nationwide system funded and guided by a partnership of federal, state, and local governments that delivers information to help people help themselves through the land-grant university system.

Extension carries out programs in the broad categories of agriculture, natural resources and environment; family and consumer sciences; 4-H and other youth; and community resource development. Extension staff members live and work among the people they serve to help stimulate and educate Americans to plan ahead and cope with their problems.

Some characteristics of the Cooperative Extension system are:

- The federal, state, and local governments cooperatively share in its financial support and program direction.
- It is administered by the land-grant university as designated by the state legislature through an Extension director.
- Extension programs are nonpolitical, objective, and research-based information.
- It provides practical, problem-oriented education for people of all ages. It is designated to take the knowledge of the university to those persons who do not or cannot participate in the formal classroom instruction of the university.
- It utilizes research from university, government, and other sources to help people make their own decisions.
- More than a million volunteers help multiply the impact of the Extension professional staff.
- It dispenses no funds to the public.
- It is not a regulatory agency, but it does inform people of regulations and of their options in meeting them.
- Local programs are developed and carried out in full recognition of national problems and goals.
- The Extension staff educates people through personal contacts, meetings, demonstrations, and the mass media.
- Extension has the built-in flexibility to adjust its programs and subject matter to meet new needs. Activities shift from year to year as citizen groups and Extension workers close to the problems advise changes.

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