

SASKATCHEWAN DEPARTMENT OF AGRICULTURE

STATISTICS BRANCH

A SIMPLE SET OF FARM ACCOUNTS

There is an increasing interest amongst farmers in farm bookkeeping. From time to time systems of farm accounts are made public in farm journals and elsewhere. These are usually very good and complete systems which will serve their purpose admirably, when used. There are many thousands of farmers, however, who have no training in these matters, and find it difficult to keep, at the outset, anything more than the simplest possible system of records. For the use of these men, and of all who wish to start with a very easy set of accounts and gradually extend them as they acquire experience in accounting, the system of accounts outlined and explained in this circular has been prepared.

The foundation of a system of records such as we refer to is the *inventory*. This inventory should be taken about April 1 each year, as April 1 is the natural beginning of a farmer's year. A specimen inventory will be found in this circular. The best plan is to take the actual inventory in rough form in a small book and then transcribe it into the last pages of the ledger. We would impress the fact that a careful inventory taken before seeding, a little systematic attention throughout the year to a simple set of records, and another inventory a year from now will place a man in the class of those who *know* whether they are worth more from year to year or less, instead of remaining in the class of those who must just guess.

It must be remembered that this set of records is not claimed to be a complete system for farm bookkeeping. It is merely the simplest system of records that can be devised to keep an account of all that absolutely must be kept account of if a farmer would know what he is really worth from time to time.

NOTES ON FARM ACCOUNTS

In order to keep a simple record, involving no knowledge of bookkeeping and comparatively little labour, the following is all that is required:

1. *Inventory* as per specimen included in this circular which should be entered complete on the last pages of Ledger, each year.
2. *Day Book* in which is entered each day a memo. of all transactions involving cash or unfinished deals.
3. *Cash Book* in which at convenient intervals is entered (from day book) on left hand (debit) side all cash or cheques received, and on right hand (credit) side, everything paid out in cash or cheques. Add each column separately, and at end of year the difference between the debit and credit columns is the cash on hand and in bank, provided, of course, that receipts (debit side) have exceeded expenditures (credit side). If a note is given the bank and discounted, record transaction in day book and enter proceeds in cash book as receipts and open a ledger account with the bank showing on credit side the face value of the note.
4. *Ledger* in which is entered (from day book) particulars of unfinished deals in following manner: Put at head of a page the name and address of man or firm with whom business is being done. On left hand (debit) side date and particulars of any amounts *paid out* by you or *due to you* and on right hand (credit) side date and particulars of any amounts *paid to you* or *owing by you*. At the end of the year add both sides of each account separately. Subtract the smaller from the greater and the difference will be the "balance." If the larger total is on the left hand (debit) side, transfer the balance to the inventory under the heading "Accounts Receivable." If it is on the right hand (credit) side transfer the balance to the inventory under "Accounts Payable."

Samples of rulings of, and entries in, above books are attached. These books are cheap and are carried in stock at any general store. Use "foolscap" sizes; they are more convenient.

INSTRUCTIONS REGARDING THE INVENTORY

Take inventory carefully and include in same *everything* of any value you own under the proper headings.

In valuing do not put down *cost prices* but actual worth at *time of inventory*.

An inventory carefully and honestly made each year in this manner will enable a farmer to know exactly what he is financially worth.

A careful and complete statement of all accounts or notes due to or by you should be made before including amounts in inventory.

In order that the amounts under such headings as "Accounts Receivable" and "Accounts Payable" and "Real Estate" may be correct, a ledger record should in future be kept and all items of cash received or disbursed (whether through a bank or otherwise) should be kept in a "cash book." Instructions for keeping such simple records have been given above and specimen entries on pages three to eight. Practically no knowledge of bookkeeping is required, but the results obtained from keeping these accounts and taking the annual inventory will be found amply to repay the small amount of work involved.