

# The Essentials of Farm Book-keeping

## Objects to be Sought

Book-keeping is the art of keeping a faithful record of business transactions. It is a meter for detecting leakage and measuring progress. It would seem to be emphasizing the obvious to say that every man engaged in any sort of business enterprise should keep a set of books. Yet it is an astonishing but undeniable fact that many hundreds of farmers keep no systematic record of their affairs. That fact is sufficient excuse for the appearance of this article.

To merely preach the necessity of keeping books is easy; it is not easy to give some practical help by drafting a system according to which they may be kept. The writer intends to make a modest attempt to fulfill this more useful function. The method, must, however be regarded as tentative or suggestive, as the subject of farm book-keeping has not heretofore, particularly in Canada, received the attention it deserves, and very little information is forthcoming as to the success or failure of any plan in actual practice.

The system to be here outlined is adapted, so far as possible, to the needs of the average Canadian farmer. It aims at presenting the simplest possible scheme that can be of any practical use, and to include essential features only, but it may be modified or amplified to suit each individual case.

Most writers on farm economy classify income under three heads: (1) interest on investment, (2) wages for the farmer and his family, (3) profit, or any surplus left over after the legitimate claims of capital and labour have been satisfied. The business is not really flourishing unless there is a fair sum to be placed under each of these three divisions; it is very unsatisfactory if it does not cover at least the first two.

While the above classification of income is perfectly sound and not over difficult to understand, yet, as the writer's aim is a minimum of complexity, and as the word "profit" is so commonly employed in a sense different from that of economics, it would seem desirable to consider income as of two kinds only: (1) the *labour income*, or wages for the farmer and for any of his family who are not paid in cash, (2) a *dividend* on the capital invested, which is the surplus left over after the farmer's wages have been allowed for. The percentage that this dividend bears to the capital invested is the measure of the farmer's success in his business, and the writer's aim is to present the simplest system of accounting by which this all important ratio can be determined.

## What Accounts are Necessary

To accomplish the object set forth in the preceding paragraph, at least four separate records are essential: (1) an inventory, (2) a cash account, (3) a produce account, (4) a dividend statement. The *inventory* is a complete schedule of all the assets and liabilities of the farm. It provides us with two indispensable pieces of information: first, the total of the capital investment, on which the interest for the forthcoming year will be computed, and second, by comparison with the inventory of the preceding year, the increase in net worth during the twelve months. The *cash account* records all receipts and expenditures which are strictly cash. Money received from other sources than from the farm must not be entered in it, unless it is taken care of in a special column. Personal and household expenses must be carefully kept separate from farm expenses. The *produce account* should show the value of all supplies furnished by the farm to the household. It may also keep a record of produce bought or sold and not paid for at the time. The dividend statement is made annually after completion of the inventory. It takes the material furnished by the other accounts and presents in a condensed form all information necessary to obtain a clear idea of the financial condition of the farm business.

Specimens of each of these records will now be subjoined, with explanatory notes on each.

### INVENTORY. MARCH 1, 1913

ASSETS	
Land (including fences, drains, well and other improvements) 125 ac. at \$40. per acre.....	\$ 5,000 00
<b>Buildings:</b>	
House.....	\$ 1,200 00
Barns and stable.....	2,000 00
Other buildings.....	550 00
	3,750 00
<i>Forward</i> .....	\$8,750 00

<i>Brought forward</i> .....		\$8,750 00
<b>Horses:</b>		
1 team heavy horses.....	450 00	
1 general purpose horse.....	200 00	
1 year-old filly.....	100 00	
1 colt.....	40 00	790 00
<b>Cattle:</b>		
20 cows.....	1,000 00	
5 heifers.....	150 00	
5 calves.....	50 00	1,200 00
<b>Swine:</b>		
12 pigs.....	60 00	
2 brood sows.....	50 00	110 00
<b>Poultry:</b>		
60 hens.....	45 00	
4 roosters.....	4 00	
5 turkeys.....	10 00	59 00
<b>Implements (depreciated through use):</b>		
Gang plough.....	23 00	
Walking plough.....	8 00	
Disc harrow.....	14 00	
Tooth harrow.....	9 00	
Fanning mill.....	15 00	
Seeder (new).....	80 00	
Cultivator.....	21 00	
Mower.....	27 00	
Hay rake.....	12 00	
Binder.....	72 00	
Cream separator.....	50 00	
Wagon.....	41 00	
Sleigh.....	17 00	
Buggy.....	60 00	
Cutter.....	26 00	
Harness.....	80 00	
Other implements and tools (every article should be listed separately)	250 00	805 00
<b>Supplies on hand:</b>		
Oats, 300 bu. at 40c.....	120 00	
Potatoes, 50 bu. at 75c.....	37 50	
Seed oats, 40 bu. at 75c.....	30 00	
Seed barley, 12 bu. at 90c.....	10 80	
Seed corn, 8 bu. at \$1.50.....	12 00	
Hay, 14 tons at \$8.00.....	112 00	
Silage, 45 tons at \$2.00.....	90 00	
Straw, 5 tons at \$3.00.....	15 00	
Manure, 50 tons at \$1.00.....	50 00	477 30
Growing wheat (4 acres).....		30 00
<b>Cash:</b>		
On hand.....	55 65	
In bank.....	632 50	688 15
<b>Accounts and bills receivable:</b>		
A. S. McMillan's note for \$50. and accrued interest for 2 mo. at 7 per cent.....	50 58	
H. L. Humphreys, for potatoes.....	7 50	58 08
<b>Total assets</b> .....		\$ 12,967 53
<b>LIABILITIES</b>		
Farm mortgage.....	\$ 1,000 00	
Accrued interest on same for 3 mo. at 6 per cent.....	15 00	1,015 00
<b>Net worth</b> .....		\$ 11,952 53

The first question that arises in connection with the annual inventory is the date at which it should be taken. Every farmer must, of course, decide this for himself, but some time during the winter would appear to be most convenient, because at that season there is no field work to be done, and there are few growing crops, a species of asset whose value it is exceedingly difficult to determine.