

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.

## SPECIMEN INVENTORY

Inventory of property of John Doe, taken April 1, 1914, on E $\frac{1}{2}$  1-2-3w2.

## HORSES—

1 gray mare, "Nell," 10 years.....	\$	150
1 roan horse, "Pete," 6 years.....		175
1 black horse, "Jim," 5 years.....		200
1 black mare, "Maud," 12 years.....		140
3 colts, yearlings, @ \$80.00 each.....		240
2 colts, 2 years, @ \$125.00 each.....		250
1 stallion, Clyde, 5 years.....		750
Total.....	\$	1,905

## OTHER LIVE STOCK—

3 milch cows, @ \$80.00.....	\$	240
2 milch cows, @ \$65.00.....		130
2 yearling heifers, @ \$25.00.....		50
1 steer, 2 years old.....		40
1 bull, 3 years old.....		150
15 pigs, @ \$5.00.....		75
50 chickens, @ 40 cents.....		20
Total.....	\$	705

## MACHINERY, TOOLS, ETC.—

2 binders, @ \$125.....	\$	250
1 mower.....		85
2 gang ploughs, @ \$65.....		130
1 harrow (drag).....		40
1 drill.....		125
2 wagons (heavy) @ \$75.....		150
1 democrat.....		75
1 buggy.....		50
1 cutter.....		35
2 bob sleighs, @ \$30.....		60
Blacksmith's forge, anvil, etc.....		50
2 sets double harness, @ \$45.....		90
1 set driving harness.....		45
1 set democrat harness.....		50
Sundry tools, stable equipment, etc.....		100
Total.....	\$	1,335

## PRODUCTS—

500 bushels wheat unsold, grade No. 2 Northern, @ 70 cents.....	\$	350
500 bushels oats on hand, @ 30 cents.....		150
100 tons hay on hand, @ \$5.....		500
Total.....	\$	1,000

## ACCOUNTS RECEIVABLE—

Amount due by A. Bell for oats sold.....	\$	15
Amount due by C. Dill for hay sold.....		70
Note due by E. Frank for 1 team sold.....		25
Total.....	\$	48

## ACCOUNTS PAYABLE—

Store bill, J Brown.....	\$	17
Store bill, C. Smith.....		8
Due Frank Bell, balance wages.....		4
Note due A. Dink, for 1 team bay geldings bought.....		29
Total.....	\$	58

## INVENTORY—Continued.

## REAL ESTATE—

Farm E $\frac{1}{2}$ 1-2-3w2, including Buildings and Improvements, 320 acres @ \$50 per acre.....	\$ 16,000
Less Mortgage (D. M. Mortgage Co., Regina) \$6,000, dated April 21, 1913, and interest due to April 1, @ 8 per cent.....	6,450
Total net value.....	\$ 9,550

NOTE.—If anything is owing on land under "agreement" as well as or instead of "mortgage" deduct as above mortgage.

## CASH—

On hand.....	\$ 57
In bank.....	1,919
Total.....	\$ 1,976
Household furniture and effects.....	\$ 700

## SUMMARY—

Horses.....	\$1,905
Other live stock.....	705
Machinery, tools, etc.....	1,335
Products.....	1,000
Accounts receivable.....	482
Real estate.....	9,550
Cash on hand.....	1,976
Household furniture and effects.....	700
	\$ 17,653
Less amount accounts payable.....	547
Total net assets or personal worth, April 1, 1914.....	\$ 17,106

## SPECIMEN ENTRIES

## DAY BOOK

1914 April 5	Bought from A. Dink, 1 team Gray Mares 4 and 5 years old. \$475. Paid \$200 cash gave note \$275 due 1st December, 1914. Interest at 8 per cent. (Enter cash payment in Cash Book and amount of note in Ledger Account)
April 17	Sold to P. Cooper, 1 cow and calf (Mollie) \$50. Received cash. (Enter in Cash Book)
April 20	Paid D. M. Mortgage Co. interest on farm mortgage due 21st April, 1914—1 year at 8 per cent. on \$6,000=\$480, and instalment principal \$200 by cheque. (Enter in Cash Book and also enter payment of principal in Ledger Account)
April 30	Received and checked J. Brown, General Store Account for April—\$57.85, and C. Smith Blacksmith, \$11.70. (Enter in Ledger Accounts)
April 30	Bought 300 bushels seed wheat from B. Stone at \$1 bushel=\$300, paid cash. (Enter in Cash Book)
April 30	Gave wife \$25 personal expenses. Self \$25 personal expenses. Paid J. Brown on account \$50. (Enter in Cash Book and also payment to Brown in Ledger Account)

## SPECIMEN ENTRIES

## CASH BOOK (Debit Side)

Entries necessary to record specimen transactions entered in "Day Book."

1914		Receipts	Debit	
			\$	
April	1	Cash on hand and in Bank .....	1,976	00
	17	P. Cooper for cow and calf .....	50	00

## SPECIMEN ENTRIES

CASH BOOK (Credit Side)

Entries necessary to record specimen transactions entered in "Day Book."

1914		Disbursements	Credit	
			\$	
April	5	A. Dink account, gray team.....	200	00
April	20	D. M. Mortgage Co. Acc. Interest on Mortgage to 21st April.....	480	00
		Account principal.....	200	00
April	30	B. Stone for seed wheat.....	300	00
		Wife personal expenses.....	25	00
		Self personal expenses.....	25	00
		J. Brown on account.....	50	00



## SPECIMEN ENTRIES

## LEDGER

Following are all the entries necessary to start records according to "Specimen Inventory" and to record the "Specimen" transactions entered in "Day Book."

Notice that Ledger accounts are only opened for *unfinished* transactions. All business that is closed and complete is accounted for in the Inventory taken each year.

Each account below should be kept on a separate page in Ledger.

## A. BELL, ELCO P. O.

1914		Amounts paid out by me Amounts due to me	Debit	1914		Amounts paid to me Amts. owing by me	Credit
April	1	Due for oats sold	\$ 156				\$

## C. DILL, FRASER P. O.

1914		Amounts paid out by me Amounts due to me	Debit	1914		Amounts paid to me Amts. owing by me	Credit
April	1	Due for hay sold	\$ 76				\$

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April

1914

April 3

E. FRANK, FRASER P.O.

1914		Amounts paid out by me Amounts due to me	Debit	1914		Amounts paid to me Amts. owing by me	Credit
April	1	Note due April 5, 1913, for team	\$ 250				\$

J. BROWN, FRASER P.O.

1914		Amounts paid out by me Amounts due to me	Debit	1914		Amounts paid to me Amts. owing by me	Credit
April	30	Paid on account	\$ 50	April	1 30	Store account to date Store account April	\$ 176 00 57 85

C. SMITH, FRASER P.O.

1914		Amounts paid out by me Amounts due to me	Debit	1914		Amounts paid to me Amts. owing by me	Credit
			\$	April	1 30	Blacksmith account to date Blacksmith account April	\$ 83 11 70

FRANK BELL

1914		Amounts paid out by me Amounts due to me	Debit	1914		Amounts paid to me Amts. owing by me	Credit
			\$	April	1	Balance wages ow- ing to date	\$ 48

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## A. DINK, FRASER P.O.

1914		Amounts paid out by me Amounts due to me	Debit	1914		Amounts paid to me Amts. owing by me	Credit
			\$	April	1	Note for bay team due May 1, 1914	\$ 240
					5	Note for gray team due Dec. 1, 1914	275

## D. M. MORTGAGE CO., REGINA.

1914		Amounts paid out by me Amounts due to me	Debit	1914		Amounts paid to me Amts. owing by me	Credit
April	20	Paid account principal	\$ 200	April	1	Amount of mortgage	\$ 6,000

On or about March 31, a year after the first Inventory was taken, the Cash Book and each account in the Ledger should be totalled and balanced in accordance with the instructions on page 1 of this circular, and a second Inventory taken. If the Day Book has been kept faithfully, the other books posted from it properly, and the Cash Book and all the Ledger balances are included in their proper places in the second Inventory, the difference between the personal worth as shown by the first and second Inventories respectively will be the amount that has been gained or lost during the year.

Regina, Sask., February 24, 1914.