



Cooperative Extension Programs

Facts About Record Keeping

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WHAT IS RECORD KEEPING?

- ❖ Maintaining organized information about your farm, such as:
 - Production information
 - Planting, harvesting, and feeding schedules
 - Income and expense information
 - Assets and debts

WHAT KIND OF RECORDS DO I NEED TO MAINTAIN FOR MY FARM BUSINESS?

- ❖ Financial records
- ❖ Production records

WHAT ARE PRODUCTION RECORDS?

- ❖ Detailed information on quantities of inputs used, outputs produced and sold.

WHAT ARE FINANCIAL RECORDS?

- ❖ Detailed information of all cash and non-cash transactions (income and expenses).

WHAT KIND OF RECORD KEEPING SYSTEM DO I NEED?

- ❖ There are many different kinds of farm record keeping systems, ranging from simple "shoebox" systems to hand-kept systems using pencil and paper to sophisticated computerized systems.

- ▶ Farm managers should consider the needs of their individual farm operation and adopt the best suited record keeping system.
- ▶ The record keeping system should meet the accounting and planning needs of the farm operation, as well as satisfy income tax, legal, and other outside reporting requirements.
- ▶ Record keeping systems have four functions:
 - Assist in reporting to the IRS, creditors, and others who have a vested interest in the financial position of the business
 - Indicator of progress
 - Identify strengths and weaknesses
 - Planning tool
- ▶ Farm Managers need a complete and accurate farm record keeping system in order to make informed management decisions that help maintain or improve farm business profitability.
- ▶ Farm managers do not have to be accountants or experts on taxes and law. But, they do need to know how to keep the required records for the farm business. They also must realize that all business decisions have income tax consequences.

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