Western Beef Resource Committee *Third Edition*

Cattle Producer's Handbook

Finance Section 900

Real
Real Records for ^ Ranchers

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Why Should I Keep Records?

For some needs, keeping records is obvious. Having information to file accurate and timely tax forms is an example. For other things, the need may be less obvious. Knowing the pattern of the calving season, weaning weight trends, cost-per-pound sold, and other management information will also require a good set of records.

Major Uses of Records

Standard uses of ranch records cover all production and financial management aspects. Making plans for the next season, obtaining credit, and purchasing feed and other supplies can all be improved with a good set of records on which to base decisions.

> *It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts.*
>
> Sherlock Holmes

Management Tool

Decisions can only be as good as the information on which they are based. Better information is the basis for better decisions. Records updated infrequently will probably never be current enough from which to make sound judgments. To provide comprehensive and accurate information, record systems should have four components: financial, production, inventory, and reconciliation of information.

Financial information should include cash receipts, capital sales, loan advances, and payments received, ranch expenses, debt payments, capital purchases, loan repayment, and family living draws. The financial system should allow for reconciling account balances and flows in and out of the operation. Typically loan and bank accounts are reconciled each month while income and expenses are only reconciled once or twice a year.

Production records are important sources of inputs used and productivity. Any approach that provides the necessary information can work. The "Red Book" (see CL106) can be a good source of herd and calving information. Invoices, delivery slips, checks, or stubs can be another important source of information. Take time to note on the invoice the date, what the product is, and where it will be used. This information can help later in determining where to properly allocate costs or receipts. This primary information should be transferred to your permanent record system regularly.

Inventory records track the quantity and value of capital and other assets. At a minimum, inventory should be taken once a year (i.e., on the last day of the accounting period, when the ending balance sheet is prepared). For each item the quantity and value should be recorded. On capital assets, purchase price, book value, depreciation claims, and current market value should be recorded. For other assets, such as feed or stock-on-hand to be sold, quantity and current market value are necessary.

Start the reconciliation process by summarizing information from notebooks, etc., to permanent records. Then complete your year-end balance sheet and an income statement. Next compare physical inventories (what you counted noses on at year-end) with a calculated inventory. For example, using last year's ending inventory of hay, add in production and purchases, deduct sales, amounts fed, and losses. The result should be very close to what you counted. If it is not within 1 or 2 percent, identify and correct the errors. The same can be done with cash-in-flows and out-flows.