



Section 9: Balance Sheet

After each topic in this section there is a set of questions designed to help you examine and evaluate the performance and business position of your farm.

The Balance Sheet is important for several reasons;

1. It lists the business' assets, their market value, and the debt owed on those assets. Both assets and liabilities (debt) are categorized by time; how often the assets turn over and the period of time over which the debt is due.
2. It shows the equity (asset value minus debt) or owner's investment. Equity is important when determining how much money the business can borrow and how much risk the business can bear.
3. It indicates how investment in the business is balanced (ie. Machinery investment versus land investment).
4. How debt is structured is critical in the business' ability to repay that debt.
5. Many ratios are calculated from the balance sheet. These measure performance and business position, and are useful in comparing not only your business to itself year-after-year but also to other businesses.

Do You Have A Balance Sheet that Reflects the Current Market Value of Your Business?

If no:

EXCERISE: Use the following checklist to complete **Statement #1: The Balance Sheet**, in the appendix.

The following information may be useful in constructing a balance sheet:

- Annual statements from cooperatives or stock
- Bank statements – year start and end
- Depreciation schedule listing all equipment (important for a listing of equipment – don't use book value or undepreciated value)
- Lease agreements and statements
- Farm appraisal
- Listings of recent sales of comparable farms
- Listings of accounts receivable for both start and end of year
- Listings of prepaid expenses for start and end of year
- Listings of supply inventories – year start and end
- Lender statements – year start and end
- Listings of fruit in storage at start and end of year
- Listings of accounts payable at start and end of year

- ___ 1. **Complete the Current Assets section of Statement #1** using **Worksheet #7 & #8 or Worksheet #9** for fruit & crop inventories, supply inventories, accounts receivable and prepaid expenses. These worksheets should be completed at the end of each year and kept for comparison. It is also useful to update your estimates with what you actually received (for produce inventories and accounts receivables only). *The Receipts from Previous Crop Year column in Worksheet #10 will give you the actual amount received from A/R and sale of Fruit & Crop Inventories if you do not have a record of A/R or Inventory estimated values from the beginning of the year.*
- ___ 2. **Complete the Intermediate Asset Section for Machinery & Equipment referring to Worksheet #1 Equipment Evaluation.** Be sure to value equipment based on the price you would likely get if sold in a private sale, or that you would pay if buying a similar piece of equipment.
- ___ 3. **Complete the Intermediate Asset Section of Statement #1 for Stock Value** using statements provided by Cooperatives, Farm Credit or Investment firms. Be careful not to use "book value" but to use the current market value. Your lender or accountant may be helpful in helping you to determine market value. The financial section of the newspaper is helpful in valuing traded stocks.
- ___ 4. **Complete the Long-Term Asset section of Statement #1.** The current market value of land, buildings and orchards is affected by many factors. A realistic value is best determined by an objective appraiser who appraises fruit farms on a regular basis and is familiar with the real estate market in your area. A good appraisal will be well-written and describe the methods of appraisal used.
- ___ 5. **Complete the Liabilities section of Statement #1.** Get current statements from each lender or call each lender requesting the current balance due for each loan. This is particularly important if you are making installment payments. Be sure to separate out the stock amount when reporting balances of loans from Farm Credit.

After completing Statement #1: The Balance Sheet, answer the following questions:

1. Calculate net worth (total assets minus total liabilities) = _____
2. What is my percent equity in the business? (Farm net worth ÷ total assets) = _____
3. Complete the following chart:

Assets	Percent	Debt	Percent
Current assets/All assets:	_____ %	Current debt/All debt:	_____ %
Intermediate assets/All assets:	_____ %	Intermediate debt/All debt:	_____ %
Long term assets/All assets:	_____ %	Long term debt/All debt:	_____ %

3. Compare this to Fruit Farm Summary data in the Appendix.

Are my investments in assets balanced?		Yes	No
Do I own too much equipment or not enough?	Okay	Too Much	Not Enough
Do I own too much land – or not enough?	Okay	Too Much	Not Enough
Can I repay debt as it is currently structured?		Yes	No
Would restructuring my debt allow me to repay it as newly structured?		Yes	No
Would restructuring debt give me more flexibility in reinvesting in my business?		Yes	No

Balance Sheet Planning Summary

Refer back to your responses to the questions in this section and complete this summary. List below areas of improvement for the balance sheet you have completed.

Balance Sheet Areas for Improvement
1.
2.
3.
4.

