



## A Closer Look at a Balance Sheet

Your balance sheet provides a statement of your financial position at a particular point in time. It is a “snapshot” of your business today, and becomes even more useful when you compare it to the snapshot of your business in a prior period.

The balance sheet identifies your ownership equity, or net worth, and shows how your net worth compares to your level of borrowed capital (see “Total Capital” and “Total Liabilities” at the bottom of the example). The balance sheet also shows the amount of working capital you have available to help the operation withstand temporary adversity.

If a business is heavily reliant on borrowed capital or loans, it is less able to withstand the difficulties caused by agricultural price cycles and weather problems. Operations with adequate working capital and significant owner equity are better able to survive the expected and unexpected problems common to agricultural production. These are important factors to keep in mind when considering expansion or capital improvements.

Your net worth is impacted by your historic operating profits/losses, fluctuations in asset values, and major gifts that you receive or give to others. Accordingly, you should think of net worth as a measure of financial progress rather than an isolated number. Net worth becomes more relevant when you compare it from one month to another, or one year to another. For example, what is my business worth today, how has it changed over the past year, and what caused the changes.

We understand how these issues apply to agriculture. Your Western AgCredit loan officer understands agriculture and has been trained to use these financial tools to evaluate your business. He or she will be happy to review your financial statements with you and help you analyze your business.

To complete an income statement using Western AgCredit’s template, go to “Tools” “Financials” and download the “Balance Sheet.”

<b>Mid-County Farms</b>	
<b>Balance Sheet</b>	
<b>February, Ending: 02/28/2009, FY: 2009</b>	
<b>ASSETS:</b>	
<b>SHORT TERM ASSETS</b>	
Checking/Farm Account	7,154.29
Checking/Personal	400.00
Savings Account	600.00
<b>TOTAL SHORT TERM ASSETS</b>	<u>8,154.29</u>
<b>INTERMEDIATE ASSETS</b>	
Inventory/Cattle	32,610.52
Inventory/Corn	105,641.49
Inventory/Hog	6,700.00
Farm Equipment/ACC Dep	-58,000.00
Farm Equipment/Combine	80,000.00
Farm Equipment/Crop Equipment	150,000.00
Farm Equipment/Livestock Equip	30,000.00
<b>TOTAL INTERMEDIATE ASSETS</b>	<u>346,952.01</u>
<b>LONG TERM ASSETS</b>	
Owned Land/Farm Two	50,000.00
Owned Land/Home Place	120,000.00
<b>TOTAL LONG TERM ASSETS</b>	<u>170,000.00</u>
<b>TOTAL ASSETS</b>	<u><b>525,106.30</b></u>
<b>LIABILITIES</b>	
<b>SHORT TERM LIABILITIES</b>	
Operating Loan	25,000.00
FICA Tax Pay/Employees	161.42
<b>TOTAL SHORT TERM LIABILITIES</b>	<u>25,161.42</u>
<b>LONG TERM LIABILITIES</b>	
Land Loan	75,000.00
<b>TOTAL LONG TERM LIABILITIES</b>	<u>75,000.00</u>
<b>TOTAL LIABILITIES</b>	<u><b>100,161.42</b></u>
<b>CAPITAL</b>	
Capital/Net Worth (Assets-Liabilities)	424,944.88
<b>TOTAL CAPITAL</b>	<u><b>424,944.88</b></u>