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Department of Agriculture, Western Australia

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FARM MANAGEMENT ACCOUNTING
FOR FARMERS

THE managerial accounting service provided by the Farm Management Service Laboratory at the University of Western Australia enables any farmer in Australia or New Guinea to be connected by post to a computer and supplied with a timely flow of accurate information to improve the financial management of his farm business.

Now in its fourth year of operation, the Laboratory was designed by R. G. Mauldon, H. P. Schapper and D. W. G. Treloar. They aimed to provide, for an annual cost of less than $100, timely, accurate information which would be usable for most purposes required by the farmer, his accountant and consultant.

For an establishment fee of $10, two hours recording time each month, and an annual charge of $65 (W.A.) or $70 (in other States), the cost conscious farmer can be supplied with information for budgeting, financial control and many other uses.

For this managerial accounting system the farmer himself does the recording and allots various items of outgo to the appropriate enterprise. This can be done in less than two hours a month. Within 10 to 15 days of sending each month's records to the computer, usable information is returned. The following print-outs are received direct from the computer:

1. summary and report of dollar flows in and out of the managerial unit (monthly)
2. report on production and operations (quarterly)
3. movements in dollar balances
4. sources and uses of dollars
5. changes in assets, liabilities and equity
6. sources and uses of crop and pasture products and livestock
7. listing of income and outgo for tax accounts
8. listing of income and outgo for budgeting
9. listing for statistical returns to the Government Statistician.

Each month the farmer receives budgeted and actual cash-flows, the latter related to his various bank and stock firm working accounts for the previous month. This information is standard for financial control in any well-run business.

Within a month of the end of the year (or earlier if requested) all monthly cash-flows are brought together and printed out by the computer, and sent to the farmer. This allows next year's cash flow budget to be prepared easily and quickly for, or by, the banker or other credit agency.

By July 31, the farmer can receive the tax listing which has been especially designed with the help of accountants to quicken, and possibly lower, the cost of preparation of the income tax return. If the farmer wishes, the listing can be made available three or four months before the end of the tax year for an assessment of likely tax in time for the execution of appropriate strategies.

The system caters for analysing an almost unlimited number of crop and/or livestock enterprises or departments of the farm business, detailed costings being made available for each enterprise recorded. For instance, almost any kind of crop enterprise can be recorded—say six different paddocks of wheat, or eight different varieties of wheat, or wheat on three different soil types. There is a similar flexibility in the system in catering for livestock enterprises.

Important financial relationships are outlined; the change in the farmer's equity in his farm is shown and its relationship to true profit, and household outgo for the year. Also shown is the relationship between equity changes and changes in
the structure of farm business assets, and transactions in assets. The farmer can have his end-of-year accounts for the farm-year that best suits him; it does not have to coincide with the income tax year.

The Farm Management Service Laboratory emphasises figures that are useful to the farmer rather than those which are just interesting. Any system that provides extra figures of interest but of no use is unnecessarily costly and the FMSL avoids this wastage.

With special forms and instructions provided by the FMSL the farmer can budget and revise the budget during the year. Having the budget incorporated monthly into the cash flow printouts helps the cost-conscious farmer to work out his budget and to revise it as warranted by unforeseen farm business and household events.

This managerial accounting system is still the only service of its kind in Australia. Air mail ensures, that farmers receive their information quickly irrespective of their location. Farm management consultants in all States have seen that this system can release them from much recording and clerical work, allowing them to spend more time using their professional consultancy skills. Accountants are beginning to view the service in the same light and farmers have reported favourable responses from country bank managers to the FMSL's printouts.

A new development now under test by farmers and consultants is the Annual Farm Management Report. This report is designed for farmer preparation, especially from the Laboratory's printouts. Its purpose is to help farmers to fully understand and evaluate their recent farm business performance, and to plan and budget still more effectively.

For further information . . .

* Visit the Laboratory by appointment—Phone 86 6743

* Send for—
  Set of 20 sample computer-printouts .... $1.00
  The Annual Farm Management Report .... 50c
  Farm Management & Money Management .... 40c
  Handbook of the Farm Management Service Laboratory .... $1.50

* Write to—
  Secretary-Manager,
  Farm Management Service Laboratory,
  University of Western Australia,
  NEDLANDS. Western Australia, 6009.