

**Management and Marketing Notes. June 2004****RECORD KEEPING FOR LIVESTOCK PRODUCERS:  
Questions and Concepts****Geoff Benson, PhD  
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“If you don’t measure it, you can’t manage it.” However, there is no simple or easy answer to the question “what is the best record keeping system?” In part, the answer depends on the perceived needs for, and intended uses of, the information a record keeping system can produce and in part on the abilities of the record keeper. Answers to the following list of questions should help guide the choice of record keeping system.

**1. *Why Keep Records?***

- Tax preparation & audits
  - Farm & personal income taxes
  - Payroll taxes & withholding
- Obtaining credit
- Planning
- Evaluating business performance
- Paper Trail, e.g., for law suits and disputes
- Developing and operating business agreements

**2. *What Records to Keep?***

- Itemized sales and expenses -- cash received, cash paid out
- Accounts payable & receivable
- Unpaid and prepaid expenses
- January 1 inventories, count and value, of crops on hand, livestock by type, feed, supplies, machinery, equipment, improvements
- Physical records of production, sales, inputs purchased, home-grown items used, e.g., milk, crops, livestock, herd health events, etc.
- Tax records for at least 3 years
- Bank Statements, Canceled Checks
- Insurance Records
- Legal documents -- Deeds, Titles, Wills, Contracts, Business organization agreements, Regulatory compliance, etc.

- Business planning & performance records
  - Cash flow statements
  - Profit & loss statement (accrual basis)
  - Balance Sheet/Net Worth statement
  - Financial efficiency measures, e.g., debt:asset ratio
  - Farm efficiency measures, e.g., yield per acre

### 3. *Evaluating Business Performance*

- Your farm over time, e.g., debt trends, production cost per cwt.
- Your farm compared to similar farms
- Tour farm compared to national benchmarks
- Benchmarking requires common definitions and procedures for calculating measures

### 4. *Types of Record Systems*

- Financial Accounting Methods
  - Cash or Accrual
  - Single- or double-entry
- Financial Record Keeping
  - By Hand
  - On-farm Computer
  - By Accounting Service

### 5. *Record Keeping Principles*

- Serviceable & usable for the intended purpose
- Complete
- Factual
- Accurate
- Consistent

### 6. *Computers for record keeping & analysis*

- *Advantages*
  - Quick access to information
  - Timely filing and tax planning
  - Can analyze performance more easily
  - Can develop plans more easily
  - Lower accounting & tax preparation fees
- *Disadvantages*
  - Cost
  - Complexity
  - Time
  - There is no comprehensive system to accommodate all record keeping needs