Building an Income Statement Activity

Joe and Jean Farmer want to evaluate their profitability during the 2017 production year. They did complete balance sheets on January 1st and December 31st, 2017, and now want to build and income statement. Jean keeps very good itemized farm records using a Quickbooks program, so this financial statement is fairly simple to build.

Here is the information they have:

Crop Cash sales included:

* 11,120 bushels of corn for $35,028
* 32,438.8 bushels of grain sorghum for $95,557.58
* 30,080.60 bushels of wheat for $93,249.89
* 200 tons of alfalfa for $19,000
* 27,013.7 bushels of soybeans for $260,682.49

162 calves were sold at an average weight of 545 pounds, income was equal to $112,128.30

26 cull cows were sold for $28,916.80 total

Two cows were purchased for $2,500 each

Agricultural Program Payments were received in total of $46,336

The cooperative paid out $3,300 in dividends.

Options were used for risk management for a net gain of $9,900

The Farmer’s had $21,583 in purchased feed and mineral expenses.

Other farm related expenses included:

* Labor Hired $40,907
* Repairs $57,129
* Seed $67,074
* Fertilizer $90,685
* Herbicide and Insecticide $69,358
* Veterinarian Expense $6,760
* Storage & Marketing $2,540
* Machinery Hire and Lease $14,545
* Fuel and Oil $25,709
* Utilities $3,470
* Property Tax $1,420
* Real Estate Tax $4,880
* General Farm Insurance $5,470
* Crop Insurance Premiums $15,565
* Cash Rent $46,240
* Auto expenses $370
* Misc. Livestock expenses $6,120
* Fees, Publications, Travel $4,660

Interest paid on all loans totaled $44,565.41

Depreciation is assumed at 10% of the beginning value of machinery and equipment and 5% of the beginning value of buildings. Note that depreciation on livestock is already captured through the adjustment on inventory values.