## INCOME STATEMENT

For a 12-month period Ending ________________, 20__

### REVENUE
- **Feeder livestock and poultry:**
  - Cash sales: __________________________ $ (1a)
  - Inventory change (Sch. 16, line a): ± (1b)
  - Feeder livestock transferred to breeding herd (Sch. 16, line b): ± (1c) $ (1)
- **Crops and feed:**
  - Cash sales: __________________________ $ (2a)
  - Inventory change (Sch. 16, line c): ± (2b)
- **Livestock and poultry products** (milk, wool, eggs, etc.) — cash sales: (3)
- **Custom work — cash received**:
  - __________________________ $ (4)
- **Government payments — cash** (a) certificates — (b) (5)
- **Patronage dividends — cash** (a) non-cash (b) (6)
- **Change in accounts receivable** (Sch. 16, line d): ± (7)
- **Income from helping transactions** (Sch. 17, line d): ± (8)
- **Other revenue — cash** (a) non-cash (b) (9)
  - **GROSS REVENUE (add lines 1 through 9)**: $ (10)
  - **minus Feeder livestock and poultry purchases** ± (11)
  - **VALUE OF FARM PRODUCTION (line 10 minus lines 11 and 12)**: $ (13)

### EXPENSES
- **Cash operating expenses** (Sch. 18): __________________________ $ (14)
- **Accrual expense adjustments** (Sch. 19, line a): ± $ (15a)
- **Unpaid items** (Sch. 19, line b): ± (15b) ± (15)
- **Depreciation**:
  - Breeding and dairy livestock: __________________________ $ (16a)
  - Machinery and equipment: __________________________ (16b)
  - Buildings and improvements: __________________________ (16c)
- **Total operating expenses** (add lines 14, 15, and 16) ± (17)
- **Interest expense** (Sch. 20, line e): ± $ (18a)
  - **Change in accrued interest payable** (Sch. 20, line f): ± (18b) ± (18)
  - **NET FARM INCOME FROM OPERATIONS** (line 13 minus line 17 and 18): $ (19)
- **Capital asset account adjustment and/or capital gains (losses) on sales of**:
  - **Raised breeding & dairy livestock not capitalized and not depreciated** (Sch. 21): ± $ (20a)
  - **Breeding & dairy livestock fully capitalized and depreciated** (Sch. 22): ± $ (20b)
  - **Machinery, capital based assets, real estate & other farm assets** (Sch. 23): ± $ (20c)
  - **NET FARM INCOME** (add line 19 plus line 20): $ (21)

### NON-FARM INCOME (available to the business)
- Wages: Operator’s wage off farm — (a) __________ $ (22)
  - Spouse’s wage off farm — (b) __________ $ (22)
- Interest, dividends, and capital gains distributions:
  - **Received in cash or credited to checking & savings accounts** ± $ (23a)
  - **Earned and re-invested in bonds, securities & other investments** ± (23b) ± (23)
  - **Change in accrued interest earned** (Sch. 19, line e): ± (24)
  - **Royalties and mineral lease income** (Sch. 24): ± $ (25)
- **Gain (loss) on sales of non-farm assets** (Sch. 24): ± $ (26)
- **Net income — other entities, farms, businesses & real estate** (Sch. 25): ± (27)
- **Other** (Sch. 26, line e):
  - **Cash** (a) __________ non-cash (b) __________ $ (28)
  - **NON-FARM INCOME** (add lines 22 through 28): $ (29)

### NET INCOME
- **TOTAL INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS** (line 21 plus line 29): $ (30)
- **Income and social security taxes**:
  - Amount of tax paid in cash (Sch. 26, line e): ± $ (31a)
  - **Change in accrued tax & deferred tax on current assets** (Sch. 26, line g): ± (31b) ± $ (31)
  - **Extraordinary items (explain)** ± (32)
- **NET INCOME** (line 30 minus line 31 plus/minus line 32): $ (33)
Uses of an Accrual Basis Income Statement

1. Determine the actual Profit or Loss generated by the business during a specific period of time by matching Revenues and Expenses with the period.

2. Avoids the possible distortion created by Cash Basis Income Statements. Cash Basis Accounting can result in a lag of several years before losses are recognized.

3. Help analyze the contributions of different enterprises to the Profitability (or the Losses) of the business.
Uses of an Accrual Basis Income Statement (cont.)

4. Determine your true Cost of Production.
5. Provides a tool for evaluating operating efficiency on an economic basis.
6. A knowledge of Net Income is crucial for analyzing Investment Decisions and Capital Debt repayment capacity.
7. Can be used in conjunction with the Balance Sheet to determine how much of the change in financial position is due to Reinvested Earnings (Losses) and how much is due to Inflation (Deflation).
Accrual Adjustments

• Accrual Assets:
  – Accounts Receivable
  – Feeder Livestock and Poultry Inventory
  – Crops and Feed Inventory
  – Prepaid Expenses
  – Supplies Inventory
  – Investment in Growing Crop

• Accrual Liabilities:
  – Accounts Payable
  – Accrued Interest
  – Accrued Taxes (excluding income taxes)

• Tax Adjustments (only when calculating net income after taxes):
  – Accrued Income Taxes
  – Deferred Taxes on Current Liabilities
General Rules Regarding Cash to Accrual Adjustments

1. Increases in accrual asset accounts increase net income (and vice versa)
2. Increases in accrual liability accounts reduce net income (and vice versa)
2011

Cash Corn Sales $700,000
Less Beg. Inventory -200,000
500,000 Produced & Sold
Plus End. Inventory +300,000 Produced & Not Sold
Value Produced in 2011 $800,000

OR

Cash Corn Sales $700,000
Inventory Change +100,000
Accrual Corn Revenue $800,000
2011

Cash Purchases of Feed $1,000,000
Less Beg. Feed A/P -200,000
800,000 Bought & Fed
Plus End. Feed A/P +100,000 Bought & Not Fed
Cost of Purchased Feed Fed $900,000

OR

Cash Feed Purchases $1,000,000
Change in Feed A/P -100,000
Accrual Feed Cost $900,000