QUICKEN AS A FARM ACCOUNTING SYSTEM:

A LESSON PLAN ON CASH BASIS RECORDKEEPING

WITH ACCRUAL-ADJUSTED FINANCIAL STATEMENTS

by

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ABSTRACT

The purpose of this document is to demonstrate how Quicken, a popular checkbook management software program, can be used to keep a set of records for the farm business that will measure profits, liquidity, and solvency. This is a revision of ERI 95-02, with more detailed explanations. All graphics have been eliminated and fonts have been changed so this document can be printed on most printers. It is based on an example farm used in the Business Management in Agriculture (BMA) series of videos and workbooks developed in the late 1980s, and draws on materials prepared by Dr. Ken Stokes of Texas A&M University.

It will best be understood if used as a study guide, and that entries actually be made in Quicken as they are encountered in the guide, and following the instructions given in Appendix A. By the time you complete this exercise, you will have a much better idea how to keep records on your farm, and how useful the reports will be in managing your farm or ranch operation.

Appendix A contains instructions for those who received a disk with files already set up. If you did not receive a disk, consider yourself lucky. You will probably learn more just from having to go throuh the steps of setting up the accounts and categories.

This is not intended to be an introductory course in either recordkeeping or Quicken. It requires some previous training in Quicken. Those with a basic understanding of accounting principles will find it easier to understand and will have less trouble making entries for their own

business. Yet, almost anyone with a desire and diligence can master the concepts and implement

the system for their business.

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QUICKEN AS A FARM ACCOUNTING SYSTEM:

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Introduction

Virtually all accounting software on the market today require a basic understanding of double entry accounting, which is beyond the capability of most farmers and ranchers. However, there are some inexpensive, easy to use recordkeeping software packages, which have sufficient flexibility to keep a good set of business records. Most are advertised as checkbook management software. Quicken is just one. It is inexpensive, and extremely easy to use as a checkbook manager. Even as a cash accounting system for the business, it's not difficult once you establish the proper categories (accounts) for keeping a record of income and expense transactions.

The purpose of this paper is to show those with little experience in recordkeeping, other than simple checkbook records, how to keep a more sophisticated set of records which will measure profits, liquidity, and solvency. The method involves recording all cash transactions during the year by correctly classifying them as to how they impact income, expenses, assets, liabilities, and equity. At the end of the accounting period (usually December 31), the cash basis financial records are converted to the accrual basis using adjusting entries based on the differences between asset and liability values at the beginning and the end of the accounting period.

Quicken, the most popular computer program in the world, will be used to illustrate how this is done. Cash flow and other reports can be created and even memorized for easy recall any time. Balance sheet and income statements may be created at any time, but they are correct only after adjusting entries have been recorded.

The simplified example is based on a farm couple named Frank and Frieda Farmer. Frank and Frieda are sole proprietors who own a total of 80 acres on 60 tillage acres; they grow 40 acres of corn and 20 acres of soybeans. They cash rent 300 acres with 200 acres of corn and 100 acres of soybeans. On the 240 acres that they farm on a 50-50 share lease, they plant 120 acres each of corn and soybeans. In 1995, they farmed 360 acres of corn and 240 acres of soybeans. They sold 548 market hogs (137 head each quarter) from a 40-sow farrow to finish operation. Frank and Frieda work full time on the farm and have one hired hand. December 31 is the end of their tax year.

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[1] Based on Frank and Frieda Farmer's transactions as given in Volume IV of the Business in Agriculture (BMA) series, with examples provided by Kenneth W. Stokes, Texas A&M.

Tenure Arrangement	Corn	Soybeans	Total
(Acres) own	40	20	60
Cash rent	200	100	300
50-50 share lease	120	120	240
Total	360	240	600

Each of the example transactions for Frank and Frieda's farm used in the BMA series will be illustrated using Quicken. The following reports will be generated: Balance Sheet (both market value and cost), Income Statement (both accrued adjustment and cash), and the Statement of Cash Flows (both accrued adjustment and cash).

Create a File (a Set of Books)

The first step is to create a new file within Quicken for Frank and Frieda Farmer. From the Main Menu:

Choose → Set Preferences → File Activities → Select/Set Up File

They named their new Quicken file F&F_FARM. This Quicken file may be viewed as a "set of books," which will contain several accounts. Frank and Frieda's example farm includes only farm financial transactions in the file. Checks written to cover family living expenses are treated as equity withdrawals.

Create a Category List (a Chart of Income and Expense Classifications)

Traditional accounting methods use a chart of accounts for income, expenses, assets, and liabilities. In Quicken, there are two different concepts:

> *Categories*   for income and expense
> *Accounts*   for assets and liabilities

After creating and naming a new file, Quicken asks you to choose between an existing category list for home, business, both home and business, or neither. Frank and Frieda selected the option for neither home or business. Later, they will enter a suggested list of categories that follows the BMA series.

Select the File You Created

After having selected the option for the "neither home or business" category list, Quicken requires you to select the file to use. Frank and Frieda selected the file named F&F_FARM.

**Set up New Account (a Chart of Balance Sheet
Accounts with Opening Balances)**

After selecting a file, Quicken asks the user to set up a new account. Quicken gives you six types of accounts. In this manual, we restricted Frank and Frieda's use to two asset account types (Bank Account and Other Assets) and to one liability account type (Other Liabilities). We will not use Quicken's cash, credit card, and investment accounts in this exercise.

Assets   Things that you own and that have money value. Examples include cash, checking and savings accounts, supplies, buildings, breeding livestock, machinery, land.

Liabilities   Amounts owed to outsiders. Examples include notes payable, accounts payable, accrued interest, accrued taxes, and real estate debt.

Owner's Equity   The difference between the value of assets and liabilities. It is the amount left over for the owners if the assets were sold and the money used to pay off the liabilities. Equity is made up of original capital contributions, retained earnings, the appreciated asset values, and current earnings.

If you do not understand these terms, you may not be ready to use Quicken to produce Balance Sheets and Income (Profit and Loss) Statements. You can continue to use Quicken to manage your checkbook, monitor cash flow, evaluate enterprises, and track taxable income and deductions without knowing how to use Quicken to produce accrual adjusted financial reports. You are urged to study the structure of Balance Sheets, Income Statements, and Cash Flow Statements.

This exercise uses one of many possible naming schemes for the accounts in Quicken. The scheme uses a three-digit number to control the order in which the accounts appear on the Balance Sheet. It is not possible to separate current and noncurrent accounts in Quicken, but the order can be controlled by using numbers. The lower the number, the more current or liquid. A combination of the account name and description is used to fully describe the accounts. Alternatively, one could abbreviate the names, such as InventCorn, InventSoyB, AcctsPayble, etc., which may make it easier to interpret reports in which the description is omitted.

To match with the BMA series example, Frank and Frieda set up the following accounts with a zero balance as of 12/31/1994.

Name	Acct.	Description	Balance
111 Checking	Bank	Farm	0
130 Inventory	Other asset	Corn	0
131 Inventory	Other asset	Soybeans	0
132 Inventory	Other asset	Market Hogs	0
133 Inventory	Other asset	Supplies	0
161 Purchased	Other asset	Breeding stock	0
162 Raised	Other asset	Breeding stock	0
166 Machinery	Other asset		0
190 Real Estate	Other asset	Land & buildings	0
200 Accounts	Other liab.	Payable	0
210 Notes	Other liab.	Due within one year	0
220 Current	Other liab.	Portion of term notes	0
230 Interest	Other liab.	Accrued	0
242 IncTaxPayable	Other liab.	Income taxes payable	0
243 Other Taxes	Other liab.	Payable	0
270 Mach. Note	Other liab.	Noncurrent	0
272 Real Estate	Other liab.	Noncurrent	0
300 Equity	Other liab.		0
320 Retained	Other liab.	Earnings	0
330 Valuation	Other liab.	Equity	0

Setting up New Categories

When Frank and Frieda set up their new file, they selected the option for "neither the home or business" category. It is now time to set up their own category list.

A suggested list of category and subcategories that closely match the BMA series is as follows. The use of numbers in the category name controls the order in which they appear in lists and reports. The naming scheme uses both the name and description.

Category	Type	Description
400 Revenue	Inc	Cash farm
Corn	Sub	
Gain (loss)	Sub	Sales of cull stock
Market hogs	Sub	
Soybeans	Sub	

450 Inventory	Inc	Adjustments
Breeding	Sub	Livestock
Corn	Sub	
Market hogs	Sub	
Soybeans	Sub	
720 Gain (loss)	Inc	Farm capital assets
500 Expenses	Expns	Cash farm
Feed	Sub	Purchased
Interest	Sub	Expense
Operating	Sub	Expenses
600 Depre.	Expns	Expense
700 Expenses	Expns	Accrual adjustments
Interest	Sub	Accrual
Other	Sub	
Payables	Sub	
Prepaid items	Sub	
Supplies	Sub	

Recording Opening Balances

Frank and Frieda Farmer use the calendar year January 1 to December 31, both as their tax year and their financial year. They used December 31 of the year prior to when they started recording transactions as the date of their opening balances.

Frank and Frieda obtained their opening Balance Sheet values from past Balance Sheets (prepared in support of their loan applications) and records on checking and savings accounts, hedging accounts, loan repayment schedules, tax depreciation schedules, and tax returns. Production records for livestock, field records for crops, and physical inventories proved useful. Price information needed to value assets were obtained by phone calls, market price quotations, newspapers, and other sources.

The value of each individual liability account balance as of December 31 can be easily determined from credit and loan statements and documents. These obligations are stated in dollar values.

Frank and Frieda found their assets, the things they owned, difficult to value because of changing market conditions. Inventory items such as market livestock and grain in storage were valued at the current market price less any selling cost. Breeding livestock, machinery, equipment, and labor were more difficult to value. For example, the market value will likely be

different for a quick sale as compared to a slower, more organized sale with adequate promotion and publicity.

Another method of valuing assets was based on their historical costs. Frank and Frieda's historical basis was equivalent to their tax basis in an asset. It was the amount they paid (in cash, notes, other property, or services) for an asset plus any amount they paid for sales tax, freight, installation, and testing.

Historical basis of an asset is the historical cost reduced by the total depreciation claimed on the asset. Other items that may reduce the historical basis are Section 179 deductions, investment credits taken, casualty and theft losses, and other factors. The FFSTF allows the use of IRS depreciation methods in computing historical cost. Differences between the market value of an asset and its historical basis are reflected in a valuation equity account.

The *Farm Financial Standards Task Force* recommendations allow the use of a base value for certain assets such as raised breeding animals. The base value per head is a stipulated value which approximates the cost of raising a replacement animal to breeding age. Alternatively, the base value could approximate the market value of the animal at the time it enters the breeding herd.

Once a base value per head has been established, it is held constant over several years. Changes in the total base value due to changes in the number of animals in the breeding herd are included as a noncash adjustment to revenue. Changes in the total value of the raised animals due to changes in the base value per head are reflected in the valuation equity account.

The FFSTF recommended using both the historical costs and market value to prepare Balance Sheets. The use of both results in two different estimates of owner's equity. The FFSTF recommended changes in equity due to changes in market value not to be reflected on the Income Statement.

Beginning Balance Sheet Values

Frank and Frieda Farmer took a detailed inventory of their assets on December 31, 1994. From various sources they obtained estimated market prices and selling costs of their various assets as of 12/31/1994. They used their income tax returns as the source of their original cost and accumulated depreciation. Loan documents, repayment schedules, and vendor statements provided the information on liabilities. The text, Appendix 1—Beginning Balance Sheet, and Exercise 5 of the section on "Preparing a Balance Sheet—Guidelines of the Farm Financial Standards Task Force" of the BMA series was used to obtain the opening Balance Sheet values. Frank and Frieda Farmer's entered opening balances as follows:

1. The balance in the check register as of 12/31/94 was $6,000. The $6,000 was the ending balance of Frank and Frieda's last bank statement. There were no outstanding uncleared

checks. Both the historical cost and the market value of the checking are the same—$6,000. Since there were no outstanding checks as of 12/31/94, change the 0.00 in the DEPOSIT column to $6,000 and record the changes. Quicken will increase the value of EQUITY by $6,000.

In the bank account named *111 Checking-Farm*, change the opening balance to the following which increases the asset account and increases the value of EQUITY.

Date:	Num	Payee:	Payment	C	Deposit	Balance
12/31		Opening balance		x	$6,000.00	$6,000.00
1994	Memo:					
	Cat:	[111 Checking]				

2. As of 12/31/94, the farm had 30,000 bushels of corn in storage. None of this corn had been hedged or forward priced. The farm was not in the government feed grain program. The market price minus the selling expenses on the Balance Sheet date was $2 per bushel.

In the asset account named *130 Inventory-Corn*, change the opening balance to the following, which increases the asset amount and increases the value of EQUITY.

Date:	Num	Payee:	Decrease	C	Increase	Balance
12/31		Opening balance		x	$60,000.00	$60,000.00
1994	Memo:	30,000 bu @ $2/bu				
	Cat:	[130 Inventory-Corn]				

3. Frank and Frieda had 4,000 bushels of soybeans on inventory as of 12/31/94. The soybeans were neither hedged nor forward priced. The market price minus selling cost on the Balance Sheet date was $5 per bushel.

In the asset account named *131 Inventory-Soybeans*, change the opening balance to the following, which increases the asset amount and increases the value of EQUITY.

Date:	Num	Payee:	Decrease	C	Increase	Balance
12/31		Opening balance		x	$20,000.00	$20,000.00
1994	Memo:	4,000 bu @ $5/bu				
	Cat:	[131 Inventory]				

4. Frank and Frieda had feeder and market hogs of various weights and sizes on inventory as of 12/31/94. Using that information and the market prices less the selling costs as of the Balance Sheet date, they estimated the value of their feeder and market hogs at $20,000.

In another asset account named *132 Inventory-Market Hogs*, change the opening balance to the following which increases the asset amount and increases the value of EQUITY.

Date:	Num	Payee:	Decrease	C	Increase	Balance
12/31		Opening balance		x	$20,000.00	$20,000.00
1994	Memo:					
	Cat:	[132 Inventory]				

5. Frank and Frieda had supplies on hand that cost $5,000. They used that as the value of those supplies on the Balance Sheet date.

    In the asset named *133 Inventory-Supplies*, change the opening balance to the following which increases the asset amount and increases the value of EQUITY.

Date:	Num	Payee:	Decrease	C	Increase	Balance
12/31		Opening balance		x	$5,000.00	$5,000.00
1994	Memo:					
	Cat:	[133 Inventory]				

6. The original cost of Frank and Frieda's machinery as of 12/31/94 totaled $127,000. The accumulated depreciation as of 12/31/94 was $30,000, giving a book value of $97,000. The estimated market value of all the machinery less selling cost was $102,000.

    Frank and Frieda followed the recommendations of the Farm Financial Standards Task Forces to produce two Balance Sheets: one based on historical cost and one based on market value. They used Quicken's class feature to track base value, original cost, accumulated depreciation, and market value.

    They set up of the following *Class* names with no description:

    > Class Name
    >   Base
    >   Cost
    >   Dep
    >   Mkt

    In the asset account named *166 Machinery,* using a split transaction, change the opening balance. Line 1 of the split increases the asset account and increases the value of EQUITY. Line 2 of the split decreases the asset account and decreases EQUITY. Line 3 of the split transfers the $5,000 difference between historical costs (net book value) and the market value as of 12/31/94 into another liability account named *330 Valuation-Equity.*

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The class names were used to track original costs (Cost), accumulated depreciation (Dep), and the difference between market and book value (Mkt).

Date:	Num	Payee:	Decrease	C	Increase	Balance
12/31		Opening balance		x	$102,000.00	$102,000.00
1994	Split:					
	Cat:	[166 Machinery]/Cost				

Split Transaction

Category	Memo	Amount
1:[166 Machinery]/Cost	Original costs	$127,000.00
2:[166 Machinery]/Dep	Accumulated depreciation	-30,000.00
3:[330 Valuation]/Mkt	Mkt value less book value	5,000.00

7a. The book value (cost less accumulated depreciation) of Frank and Frieda's purchased breeding animals on 12/31/94 was $2,000. The original cost was $5,000, and the accumulated depreciation on 12/12/94 was $3,000. The market value was the same as the net book value $2,000.

Another asset account, named *161 Livestock-Purchased* using a split transaction, changes the opening balance. Line 1 of the split increases the asset amount and increases the value of EQUITY. Line 2 of the split decreases the asset amount and decreases EQUITY.

Date:	Num	Payee:	Decrease	C	Increase	Balance
12/31		Opening balance			$2,000.00	$2,000.00
1994	Split:					
	Cat:	[161 Livestock]/Cost				

Split Transaction

Category	Memo	Amount
1:[161 Livestock]/cost	Original costs	$5,000.00
2:[161 Livestock]/dep	Accumulated depreciation	-3,000.00

7b. Frank and Frieda have expensed the cost of raising their replacement breeding stock. They have a zero tax basis (historical cost) in their raised breeding livestock. Using the base value per head for each class of breeding stock, they calculate the total base value of the raised animals at $8,000.

In the asset account named *162 Livestock-Raised*, change the opening balance to the following, which increases the asset amount and increases the value of EQUITY.

Date:	Num	Payee:	Decrease	C	Increase	Balance
12/31		Opening balance		x	$8,000.00	$8,000.00
1994	Memo:					
	Cat:	[162 Livestock]/Base				

8. The original cost of Frank and Frieda's land was $84,000.00. The original cost of the buildings was $40,000. The accumulated depreciation on the buildings was $12,000. The land has an estimated market value of $95,000 and the buildings have a market value of $32,000.

Change the opening balance of the asset account named *190 Real Estate-Land & Buildings*, using a split transaction. Line 1 of the split increases the asset amount and increases the value of EQUITY. Line 2 of the split decreases the asset amount and decreases EQUITY. Line 3 of the split transfers the $15,000 difference between historical costs (net book value) and the market value as of 12/31/94 into another liability account named *330 Valuation-Equity*.

Date:	Num	Payee:	Decrease	C	Increase	Balance
12/31		Opening balance		x	$127,000.00	$127,000.00
1994	Split:					
	Cat:	[190 Real Estate]/Cost				

Split Transaction

Category	Memo	Amount
1:[190 Real Estate]/Cost	Original costs	$124,000.00
2:[190 Real Estate]/Dep	Accumulated depreciation	-12,000.00
3:[330 Valuation]/Mkt	Mkt value less book value	15,000.00

9a. As of 12/31/94, Frank and Frieda have accounts payable which total $12,000.

In liability account named *200 Accounts-Payable*, change the opening balance to the following, which increases the liability account and decreases the value of EQUITY.

Date:	Num	Payee:	Increase	C	Decrease	Balance
12/31		Opening balance	$12,000.00	x		$12,000.00
1994	Memo:					
	Cat:	[220 Accounts]				

9b. As of 12/31/94, their operating loan was $70,000.

In another liability account named *210 Notes-Due Within One Year*, change the opening balance to the following, which increases the liability account and decreases the value of EQUITY.

Date:	Num	Payee:	Increase	C	Decrease	Balance
12/31		Opening balance	$70,000.00	x	$70,000.00	
1994	Memo:					
	Cat:	[210 Notes]				

10. Frank and Frieda have a loan on their machinery. The total outstanding amount of that loan was $30,000 on 12/31/94. A payment of $6,000 plus interest was due to be paid on 6/30/95. The interest rate on their machinery loan is 12%. The accrued interest as of 12/31/94 was $1,800.

In another liability account named *220 Current-Portion of Term Notes*, change the opening balance to record the payment due within the next twelve months. The change increases the liability account and decreases the value of EQUITY.

Date:	Num	Payee:	Increase	C	Decrease	Balance
12/31		Opening balance	$6,000.00	x		$6,000.00
1994	Memo:					
	Cat:	[220 Current]				

In another liability account named *270 Mach. Note-Noncurrent*, change the opening balance to record the balance of machinery loan not due within the next twelve months. The change increases the liability account and decreases the value of EQUITY.

Date:	Num	Payee:	Increase	C	Decrease	Balance
12/31		Opening balance	$24,000.00	x		$24,000.00
1994	Memo:					
	Cat:	[270 Mach. Note]				

In another liability account named *230 Interest-Accrued*, change the opening balance to the following, which increases the liability account and decreases the value of EQUITY.

Date:	Num	Payee:	Increase	C	Decrease	Balance
12/31		Opening balance	$1,800.00	x		$1,800.00
1994	Memo:					
	Cat:	[230 Interest]				

11. Frank and Frieda's accrued interest on 12/31/94 for their accounts payable equal $1,300 ($12,000 at 16% interest for a little over eight months).

In the account named *230 Interest-Accrued*, record the following, which increases the liability account and decreases the value of EQUITY.

Date: Num	Payee:	Increase	C	Decrease	Balance
12/31	Record accts payable int	$1,300.00			$3,100.00
1994 Memo:					
Cat:	[230 Interest]				

12. Frank and Frieda's accrued interest on 12/31/94 for their operating loan equal $4,200 ($70,000 at 12% interest for six months).

In the account named *230 Interest-Accrued*, record the following, which increases the liability account and decreases the value of EQUITY.

Date: Num	Payee:	Increase	C	Decrease	Balance
12/31	Record operating int	$4,200.00			$7,300.00
1994 Memo:					
Cat:	[230 Interest]				

13. The remaining balance for Frank and Frieda's real estate loan on 12/31/94 was $57,000. Of that amount, $3,000 plus interest was due to be paid on 12/31/95. The interest rate on the real estate loan was currently 10%.

In the liability account named *272 Real Estate-Noncurrent*, record the noncurrent portion of the real estate loan as follows. The change increases the liability account and decreases EQUITY.

Date: Num	Payee:	Increase	C	Decrease	Balance
12/31	Opening balance	$54,00.00			$54,00.00
1994 Memo:					
Cat:	[272 Real Estate]				

In the liability account named *220 Current-Portion of Term Notes*, change the opening balance to record the payment due within the next twelve months as follows. The change increases the liability account and decreases EQUITY.

Date: Num	Payee:	Increase	C	Decrease	Balance
12/31	Record real estate loan	$3,000.00	x		$9,000.00
1994 Memo:					
Cat:	[220 Current]				

14. Frank and Frieda's accrued taxes as of 12/31/94 were $500 for accrued real estate taxes and $1,200 for accrued income and Social Security taxes. The $1,200 includes a value

for deferred taxes associated with liquidation of current inventories and income taxes on the difference between the market value and the tax basis of breeding livestock, machinery, and real estate.

In the liability account named *242 IncTaxPayable*, change the opening balance to the following, which increases the liability account and decreases the value of EQUITY.

Date:	Num	Payee:	Increase	C	Decrease	Balance
12/31		Opening balance	$1,200.00	x		$1,200.00
1994	Memo:					
	Cat:	[242 IncTaxPayable]				

In another liability account named *243 Other Taxes-Payable*, change the opening balance to the following, which increases the liability account and decreases the value of EQUITY.

Date:	Num	Payee:	Increase	C	Decrease	Balance
12/31		Opening balance	$500.00	x		$500.00
1994	Memo:					
	Cat:	[243 Other Taxes]				

15. Frank and Frieda's equity, using historical cost and base values for raised breeding stock, was $152,000 as of 12/31/94.

In the liability account named *300 Equity*, change the opening balance to the following, which increases the liability account *300 Equity* and decreases the value of EQUITY.

Date:	Num	Payee:	Increase	C	Decrease	Balance
12/31		Opening balance	$152,000.00	x		$152,000.00
1994	Memo:					
	Cat:	[300 Equity]				

Create a Balance Sheet Report using Market Values

Once all the opening balances have been entered, Frank and Frieda can create a Balance Sheet as of December 31, 1994. The following steps produces the following Balance Sheet report.

To use both the account name and description on the reports from the Main Menu:

Choose → Set Preferences → Checks & Report Settings

and then change the setting to print both name and description of category and accounts on reports (i.e., change the last two options to 'B').

To create the Balance Sheet report from either the Main Menu, Register, or Write Checks screen:

Choose → Create Reports → Business Reports ... → Balance Sheet

Use the title "Farmer Balance Sheet Market Value" and a date of "12/31/94."

With the Balance Sheet report on the screen, add the details assigned to the class names (Base, Cost, Dep and Mkt):

Choose → Edit → Accounts... → Selected

and then use the space bar to turn on the **Detail** option for the following accounts: *161 Purchased-Breeding Stock, 162 Raised-Breeding Stock, 166 Machinery, 190 Real Estate-Land & Buildings*.

See the printed report below. After creating the report, memorize the report's format:

Farmer Balance Sheet Market Value
F&F_FARM-Selected Accounts

Acct	12/31/94 Balance
ASSETS	
Cash and bank accounts	
111 Checking-farm	$6,000.00
Total Cash and Bank Accounts	6,000.00
Other Assets	
130 Inventory-corn	60,000.00
131 Inventory-soybeans	20,000.00
132 Inventory-market hogs	20,000.00
133 Inventory-supplies	5,000.00
161 Purchased-breeding stock	
Cost	5,000.00
Dep	-3,000.00
Total 161 Purchased-Breeding Stock	2,000.00
162 Raised-breeding stock	
Base	8,000.00
Total 162 Raised-Breeding Stock	8,000.00
166 Machinery	
Cost	127,000.00

Dep	-30,000.00
Mkt	5,000.00
Total 166 Machinery	102,000.00
190 Real estate-land & buildings	
Cost	124,000.00
Dep	-12,000.00
Mkt	15,000.00
Total 190 Real Estate-Land & Buildings	127,000.00
Total Other Assets	344,000.00
TOTAL ASSETS	$350,000.00

LIABILITIES & EQUITY

LIABILITIES

Other liabilities

200 Accounts-payable	$12,000.00
210 Notes-due within one year	70,000.00
220 Current-portion of term notes	9,000.00
230 Interest-accrued	7,300.00
242 IncTaxPayable	1,200.00
243 Other taxes-payable	500.00
270 Mach. note-noncurrent	24,000.00
272 Real estate-noncurrent	54,000.00
300 Equity	152,000.00
330 Valuation-equity	20,000.00
Total Other Liabilities	$350,000.00
TOTAL LIABILITIES	$350,000.00
EQUITY	0.00
TOTAL LIABILITIES & EQUITY	$350,000.00

Create a Balance Sheet Report Using Cost Basis

To create a Balance Sheet using the historical cost basis, Frank and Frieda start with the Balance Sheet report created using the steps outlined above. With the Balance Sheet report on the screen, the value differences between the cost basis and market value are excluded from the report:

Choose → Edit → Accounts... → Selected

and then use the spacebar to exclude the account named *330 Valuation-Equity* from the report.

Choose → Edit → Classes... → Selected

and then use the spacebar to exclude the class named *Mkt* from the report.

Choose → Edit → Set Title & Date Range

to change the title of the report to "Farmer Balance Sheet Cost Basis" and memorize it.

Farmer Balance Sheet Cost Basis
As of 12/31/94
F&F_FARM-Selected Accounts

Acct	12/31/94 Balance
ASSETS	
Cash and Bank Accounts	
111 Checking-farm	$6,000.00
Total Cash and Bank Accounts	6,000.00
Other Assets	
130 Inventory-corn	60,000.00
131 Inventory-soybeans	20,000.00
132 Inventory-market hogs	20,000.00
133 Inventory-supplies	5,000.00
161 Purchased-breeding stock	
Cost	5,000.00
Dep	-3,000.00
Total 161 Purchased-Breeding Stock	2,000.00
162 Raised-breeding stock	
Base	8,000.00
Total 162 Raised-breeding stock	8,000.00
166 Machinery	
Cost	127,000.00
Dep	-30,000.00
Total 166 Machinery	97,000.00
190 Real estate-land & buildings	
Cost	124,000.00
Dep	-12,000.00
Total 190 Real Estate-Land & Buildings	112,000.00
Total Other Assets	324,000.00
TOTAL ASSETS	$330,000.00
LIABILITIES & EQUITY	
LIABILITIES	
Other Liabilities	
200 Accounts-payable	12,000.00
210 Notes-due within one year	70,000.00
220 Current-portion of term notes	9,000.00
230 Interest-accrued	7,300.00
242 IncTaxPayable	1,200.00
243 Other taxes-payable	500.00

270 Mach. note-noncurrent	24,000.00
272 Real estate-noncurrent	54,000.00
300 Equity	152,000.00
Total Other Liabilities	330,000.00
TOTAL LIABILITIES	330,000.00
EQUITY	0.00
TOTAL LIABILITIES & EQUITY	$330,000.00

Recording Cash Receipts and Disbursements

Quicken uses income and expense categories, account names, and class names to classify transactions. Quicken uses income and expense categories to track changes to EQUITY. Quicken's EQUITY value as of a particular date is the total of the asset accounts (bank, cash, other asset, and investment accounts) less the value of the liability accounts (credit card and other liability accounts).

For a specific period of time, the total of the income categories less the total of the expense categories equals the change in EQUITY. The Quicken program displays this change in equity as TOTAL INCOME/EXPENSES on the Profit & Loss Statement Report. The difference between EQUITY at the beginning and end of a date on Quicken's Balance Sheet Report equals the TOTAL INCOME/EXPENSES on the Profit & Loss Statement for the same time period. EQUITY is adjusted the moment an income or expense transaction is recorded.

To illustrate, a cash deposit recorded in a checking account register and assigned an income category will increase EQUITY. On the Income Statement, total income and net income increases. On the Balance Sheet, the bank account balance and EQUITY increases. The cash flow report shows increased inflow by the amount of the deposit.

A cash payment recorded into a bank checking account and assigned an expense category decreases EQUITY. The Balance Sheet shows decreased bank account balance and decreased EQUITY. The Income Statement shows increased expenses and decreased net income. The cash flow report shows increased outflow by the amount of the check.

Quicken does not permit the use of income and expense categories when funds are transferred between accounts. For example, when cash is used to purchase an asset and the user classifies the transaction as transfer using an account name rather than an income/expense category name, net income and EQUITY are not changed. Net income and EQUITY will change if the user classifies the asset purchase using an expense category rather than an account name. The user must determine if the transaction affects EQUITY (using income and expense categories) or whether the transaction is merely a transfer (a change in form) between asset and liability accounts. Examples of a change in form are: converting a cash asset into a machinery

asset, using cash to decrease the principal balance of a loan, and movement of funds from checking to savings.

Quicken automatically equalizes debits and credits and updates account balances as transactions are recorded. However, Quicken forces the transaction to balance by treating uncategorized amounts as increases or decreases to equity (and net income) depending upon in which column (increase or decrease) and account type (asset or liability) the uncategorized amount occurs.

Quicken's cash flow report uses only transactions recorded in the bank, cash, and credit card accounts. Noncash transactions recorded in other assets and other cash liability accounts do not appear on cash flow reports.

Quicken's class names can be used to specify whom, where, or what time period a transaction was for. The class names—*Base, Cost, Dep ,*and *Mkt*—are used to track asset cost and market basis in this example. The class names *Beans94, Beans95, Corn94, Corn95*, and *Hogs* are used to track Frank and Frieda's farm enterprises by production year. The class name *Overhead* is a cost center.

When to record, where to record, and how to categorize (classify) transactions are important management decisions. A system advocated in farm record textbooks over the years and in Frey and Klinefelter's "Coordinated Financial Statements for Agriculture" and accepted by the *Farm Financial Standards Task Force* is the maintenance of cash basis accounts during the accounting period and then using end-of-year adjustments to convert to the accrual basis.

With this system, once the opening asset and liability values have been recorded, only cash transactions are recorded during the year. All cash transactions are assigned a Quicken income or expense category, except those affecting capital assets, financing transactions, movement of cash between bank accounts, and equity contributions/withdrawals. The cash transactions changing these accounts are treated as transfers between accounts.

Classifying Cash Receipts

Cash receipts are recorded as "deposit" in Quicken's bank accounts and as "receive" in Quicken's cash accounts. Cash receipt transactions should be assigned either an income category name or an account name in Quicken's *Category* blank. **Classify cash receipts** as follows:

Cash Receipts	Category Assignment
Sales of items which have been raised and produced for sale in the ordinary course of business.	Income category.
Sales of items which had been purchased for resale in the ordinary course of business.	Income category.

Receipt of other ordinary income, such as custom work, government program payments, patronage dividends, crop insurance proceeds.	Income category.
Collection of receivables not previously recorded as sales.	Income category.
Collection of receivables previously assigned an income category name when recorded as an asset account. Record as a transfer.	Asset account.
Proceeds from the sale of capital assets intended to support production and not intended for sale except when they are no longer needed or productive. Record as a transfer to remove the item's net book value. Assign an income category to any gains or losses.	Asset account. Income category.
Amount borrowed. Record as a transfer.	Liability account.
Moneys from other accounts. Record as a transfer.	Bank or cash account.
Equity contributions by owner. Record as a transfer.	Liability account.

Classifying Cash Disbursements

Cash disbursements are recorded as "payment" in Quicken's bank accounts and as "spent" in Quicken's cash accounts. Cash disbursement transactions should be assigned either an expense category name or an account name in Quicken's *Category* field. **Classify cash disbursements** as follows:

Cash Disbursements	Category Assignment
Purchase of production input items, services and interest treated as expenses upon cash disbursement.	Expense category.
Purchase of production input items placed in inventory upon cash disbursement. Treat as a transfer.	Asset account.
Purchase of assets other than production input items i.e. breeding stock, machinery, land, etc. Treat as a transfer.	Asset account.
Payment of credit card charges and creditor accounts not previously recorded as expenses.	Expense category.
Payment of credit card charges and creditor accounts previously assigned an expense category name and recorded in a liability account. Treat as a transfer.	Liability account.
Payment of loans and notes. Treat payment of principal as a transfer using a liability account name. Assign an expense category to interest portion.	Liability account. Expense category.
Money going to other accounts. Treat as a transfer.	Bank or cash account.
Equity withdrawals (including family living) by owner. Treat as a transfer.	Liability account.

Using this classification system, Frank and Frieda entered their checkbook transactions in their checking account *111 Checking-Farm*. The number of actual transactions has been greatly reduced for this example set of books.

1. In the first quarter, sold out of storage 19,217 bushels of corn from the 1994 crop at $1.98 per bushel for a total of $38,050.00.

   Recording the transaction increases the checking balance (cash flow), increases income (Income Statement), and assigns the income to a farm enterprise, using a class name. EQUITY increases (Balance Sheet).

Date:	Num	Payee:	Payment	C	Deposit	Balance
3/31		Local grain elevator			$38,050.00	$44,050.00
1995	Memo:	19,217 bu @ $1.98/bu				
	Cat:	400 Revenue: Corn/Corn94				

2. In the first quarter, sold out of storage was 4,000 bushels of soybeans from the 1994 crop at $4.18 per bushel for a total of $16,725.00.

   Recording the transaction increases the checking balance (cash flow), increases income (Income Statement), and assigns the income to a farm enterprise, using a class name. EQUITY increases (Balance Sheet).

Date:	Num	Payee:	Payment	C	Deposit	Balance
3/31		Local feed & grain elev			$16,725.00	$60,775.00
1995	Memo:	4,000 bu @ $4.18/bu				
	Cat:	400 Revenue:Soybeans/Beans94				

3. In the first quarter, Frank and Frieda sold 137 market hogs for a net sale of $13,440.00.

   Recording the transaction increases the checking balance (cash flow), increases income (Income Statement), and assigns the income to a farm enterprise, using a class name. EQUITY increases (Balance Sheet).

Date:	Num	Payee:	Payment	C	Deposit	Balance
3/31		Mr. Able Hoggbyer			$13,440.00	$74,215.00
1995	Memo:	137 Market hogs				
	Cat:	400 Revenue: Market Hogs/Hogs				

4. In the first quarter, Frank and Frieda sold a piece of machinery for $3,000. The machinery item sold had an original cost of $7,000 and accumulated depreciation of $5,000 for a net book value of $2,000. Frank and Frieda had a $1,000 gain on the sale.

The split transaction increases the checking balance (cash flow). Line 1 of the split decreases the asset account named *166 Machinery* and the original cost value associated with the class name *Cost*. Line 2 of the split increases (a contra value) the asset account named *166 Machinery* and the accumulated cost value associated with the class name *Dep*. Line 3 of the split increases income category *720 Gain (Loss)-Farm Capital Assets*.

The sum of the values in Lines 1 and 2 converts the book value of the machinery item sold (decreases asset) into cash (increases asset). EQUITY (Balance Sheet) increases by $1,000, the amount of increased income (Income Statement).

Date:	Num	Payee:	Payment	C	Deposit	Balance
3/31		Used tractor dealer			$3,000.00	$77,215.00
1995	Split					
	Cat:	[166 Machinery]/Cost				

Split Transaction

Category	Memo	Amount
1:[166 Machinery]/Cost	Remove original cost	7,000.00
2:[166 Machinery]/Dep	Remove accum. depr.	-5,000.00
3:720 Gain(Loss)/Overhead	Record gain	1,000.00

5. Several checks were written for operating expenses during each quarter. Frank and Frieda summarized all the checks into one split transaction for each quarter.

Recording the split transaction decreases the checking balance (cash flow), increases cash expenses (Income Statement), and assigns the expenses to three farm enterprises using class names. EQUITY decreases (Balance Sheet).

Date:	Num	Payee:	Payment	C	Deposit	Balance
3/31		Paid operating expenses	$24,975.00			$52,240.00
1995	Split					
	Cat:	500 Expenses: Operating/Corn95				

Split Transaction

Category	Memo	Amount
1:500 Expenses: Operating/Corn95		$10,850.00
2:500 Expenses: Operating/Beans95		6,500.00
3:500 Expenses: Operating/Hogs		7,625.00

6. In the first quarter, Frank and Frieda purchased $4,500 of feed for the hog enterprise.

Recording the transaction decreases the checking balance (cash flow), increases expenses (Income Statement) and assigns the expense to a farm enterprise using class name. EQUITY decreases (Balance Sheet).

Date:	Num	Payee:	Payment	C	Deposit	Balance
3/31		Hog feed dealer	$4,500.00			$47,740.00
1995	Memo:	36 tons @ $125/ton				
	Cat:	500 Expenses: Feed/Hogs				

7. Frank and Frieda wrote checks to themselves for family living expenses.

Recording the transaction decreases the checking balance (cash flow) and decreases the liability account (Balance Sheet). EQUITY decreases (Balance Sheet).

Date:	Num	Payee:	Payment	C	Deposit	Balance
3/31		Frank & Frieda Farmer	$5,200.00			$42,540.00
1995	Memo:	Regular withdrawal				
	Cat:	[Equity]				

8. Frank and Frieda borrowed $40,000 on an operating note due within one year at 12% interest. EQUITY does not change (Balance Sheet).

Recording the transaction increases the checking balance (cash flow) and increases the liability account (Balance Sheet).

Date:	Num	Payee:	Payment	C	Deposit	Balance
3/31		Local ag lender			$40,000.00	$82,540.00
1995	Memo:	12% interest, due within year				
	Cat:	[210 Notes]				

9. Using the proceeds of the various sales, the Farmers made a principal payment on their operating note of $70,000 and an interest payment of $5,800.

Recording the split transaction decreases the checking balance (cash flow). Line 1 decreases the liability account (Balance Sheet), Line 2 increases expenses (Income Statement), and assigns the expenses to a cost center using a class name. EQUITY decreases by the amount of the increase expense (Balance Sheet).

Date:	Num	Payee:	Payment	C	Deposit	Balance
3/31		Local ag lender	$75,860.00			$6,680.00
1995	Split:					
	Cat:	[210 Notes]				

Split Transaction

Category	Memo	Amount
1:[210 Notes]	Principal	$70,000.00
2:500 Expenses: Interest/Overhead		5,860.00

10. In the second quarter, sold out of storage 10,783 bushels of corn from the 1994 crop at $1.76 per bushel for a total of $19,000. (See checkbook transaction # 1.)

Date: Num	Payee:	Payment	C	Deposit	Balance
6/301	Local grain buyer			$19,000.00	$25,680.00
1995 Memo:	10,783 bu @ $1.76/bu				
Cat:	400 Revenue: Corn/Corn94				

11. In the second quarter, Frank and Frieda sold 137 market hogs for a net sale of $13,440. (See checkbook transaction # 3.)

Date: Num	Payee:	Payment	C	Deposit	Balance
6/30	Mr. Able Hoggbyer			$13,440.00	$39,120.00
1995 Memo:	137 Market hogs				
Cat:	400 Revenue: Market Hogs/Hogs				

12. In the second quarter, the normal culling of raised breeding stock totaled $1,560.

Recording the transaction increases the checking balance (cash flow) and increases income (Income Statement) and assigns the income to a farm enterprise using a class name. EQUITY increases (Balance Sheet). Adjustments to the base value of the raised breeding animal asset occur at year-end.

Date: Num	Payee:	Payment	C	Deposit	Balance
6/30	Mr. Able Hoggbyer			$1,560.00	$40,680.00
1995 Memo:	Cull raised breeding animals				
Cat:	400 Revenue: Gain(Loss)/Hogs				

13. In the second quarter, operating expenses were as follows (see checkbook transaction # 5):

Date: Num	Payee:	Payment	C	Deposit	Balance
6/30	Paid operating expenses	$34,570.00			$6,110.00
1995 Split					
Cat:	500 Expenses: Operating/Corn95				

Split Transaction

Category	Memo	Amount
1:500 Expenses: Operating/Corn95		$15,000.00
2:500 Expenses: Operating/Beans95		8,900.00
3:500 Expenses: Operating/Hogs		10,670.00

14. In the second quarter, Frank and Frieda purchase $4,500 of feed for the hog enterprise. (See checkbook transaction # 6.)

Date:	Num	Payee:	Payment	C	Deposit	Balance
6/30		Hog feed dealer	$4,500.00			$1,610.00
1995	Memo:	36 tons @ $125/ton				
	Cat:	500 Expenses: Feed/Hogs				

15. In the second quarter, Frank and Frieda purchased new breeding stock for $500.

   Recording the transaction decreases the checking balance (cash flow), increases the asset account (Balance Sheet), and assigns the original cost to a class name.

Date:	Num	Payee:	Payment	C	Deposit	Balance
3/31		Goode pigs	$500.00			$1,110.00
1995	Memo:	Boars				
	Cat:	[161 Purchased]/Cost				

16. In the second quarter, Frank and Frieda wrote checks to themselves each quarter for family living expenses. The $6,400 withdrawal included for income and Social Security taxes. (See checkbook transaction # 7.)

Date:	Num	Payee:	Payment	C	Deposit	Balance
6/30		Frank & Frieda Farmer	$6,400.00			$-5,290.00
1995	Memo:	Reg. Withdrawal+$1200 Tax				
	Cat:	[Equity]				

17. At the end of the second quarter, the Farmers made their annual principal payment of $6,000 on the machinery note and paid accrued interest of $2,880. (See checkbook transaction # 9.)

Date:	Num	Payee:	Payment	C	Deposit	Balance
6/30		Tractor note holder	$8,880.00			$-14,170.00
1995	Split	Principal + Interest				
	Cat:	[220 Current]				

Split Transaction

Category	Memo	Amount
1:[220 Current]	Principal	$6,000.00
2:500 Expenses: Interest/Overhead		2,800.00

18. Frank and Frieda borrowed $40,000 on an operating note due within one year at 12% interest at the end of the second quarter. (See checkbook transaction # 8.)

Date: Num	Payee:	Payment	C	Deposit	Balance
6/30	Local ag lender			$40,000.00	$25,830.00
1995 Memo:					
Cat:	[210 Notes]				

19. In the second quarter, the Farmers repaid $20,000 of the outstanding operating note but did not pay any interest.

   Recording the transaction decreases the checking balance (cash flow) and decreases the liability account (Balance Sheet). EQUITY does not change.

Date: Num	Payee:	Payment	C	Deposit	Balance
6/30	Local ag lender	$20,000.00			$5,830.00
1995 Memo:	Principal only				
Cat:	[210 Notes				

20. In the third quarter, sold 4,000 bushels of soybeans from the 1995 crop at $4.18 per bushel for a total of $16,725. (See checkbook transaction # 2.)

Date: Num	Payee:	Payment	C	Deposit	Balance
9/30	Feed & grain dealer			$16,725.00	$22,555.00
1995 Memo:	4,000 bu @ $4.18/bu				
Cat:	400 Revenue: Soybeans/Beans95				

21. Each quarter Frank and Frieda sold 137 market hogs for a net sale of $13,440. (See checkbook transaction # 3.)

Date: Num	Payee:	Payment	C	Deposit	Balance
9/30	Mr. Able Hoggbyer			$13,440.00	$35,995.00
1995 Memo:	137 Market hogs				
Cat:	400 Revenue: Market				

22. In the third quarter, several checks were written for operating expenses during each quarter. Frank and Frieda summarized all the checks into one split transaction for each quarter. (See checkbook transaction # 5.)

Date: Num	Payee:	Payment	C	Deposit	Balance
9/30	Paid operating expense	$17,955.00			$18,040.00
1995 Split					
Cat:	500 Expenses: Operating/Corn95				

Split Transaction

Category	Memo	Amount
1:500 Expenses: Operating/Corn95l		$8,260.00
2:500 Expenses: Operating/Beans95l		5,390.00
3:500 Expenses: Operating/Hogs		4,305.00

23. Each quarter, Frank and Frieda purchase $4,500 of feed for the hog enterprise. (See checkbook transaction # 6.)

Date: Num	Payee:	Payment	C	Deposit	Balance
9/30	Hog feed dealer	$4,500.00			$13,540.00
1995 Memo	36 tons @ $125/ton				
Cat:	500 Expenses: Feed/Hogs				

24. Frank and Frieda wrote checks to themselves for family living expenses. (See checkbook transaction # 7.)

Date: Num	Payee:	Payment	C	Deposit	Balance
9/30	Frank & Frieda Farmer	$5,200.00			$8,340.00
1995 Memo	Reg. withdrawal				
Cat:	[Equity]				

25. Frank and Frieda borrowed $10,000 on an operating note due within one year at 12% interest. (See checkbook transaction # 8.)

Date: Num	Payee:	Payment	C	Deposit	Balance
9/30	Local ag lender			$10,000.00	$18,340.00
1995 Memo:					
Cat:	[210 Notes]				

26. The Farmers paid $10,000 on their operating note and $3,000 of accrued interest. (See checkbook transaction # 9.)

Date:	Num	Payee:	Payment	C	Deposit	Balance
12/31		Local ag lender	$13,000.00			$5,340.00
1995	Split:					
	Cat:	[210 Notes]				

Split Transaction

Category	Memo	Amount
1:[210 Notes]	Principal	$10,000.00
2:500 Expenses:Interest/Overhead	Interest	3,000.00

27. Sold 10,783 bushels of corn from 1995 crop at $1.76 per bushel. (See checkbook transaction # 1.)

Date:	Num	Payee:	Payment	C	Deposit	Balance
12/31		Local grain buyer			$19,000.00	$24,340.00
1995	Memo:	10,783 bu @ $1.76/bu				
	Cat:	400 Revenue: Corn/Corn95]				

28. Sold 2,230 bushels of soybeans from the 1995 crop at $5.00 per bushel for a total of $11,150. (See checkbook transaction # 2.)

Date:	Num	Payee:	Payment	C	Deposit	Balance
12/31		Feed & grain elevator			$11,150.00	$35,490.00
1995	Memo:	2,230 bu @ $5.00/bu				
	Cat:	400 Revenue: Soybeans/Beans95				

29. Each quarter Frank and Frieda sold 137 market hogs for a net sale of $13,440. (See checkbook transaction # 3.)

Date:	Num	Payee:	Payment	C	Deposit	Balance
12/31		Mr. Able Hoggbyer			$13,440.00	$48,930.00
1995	Memo:					
	Cat:	400 Revenue: Market Hogs/Hogs				

30. During the fourth quarter, the normal culling of raised breeding stock totaled $1,500. (See checkbook transaction # 12.)

Date:	Num	Payee:	Payment	C	Deposit	Balance
12/31		Mr. Able Hoggbyer			$1,500.00	$50,430.00
1995	Memo:	Cull raised breeding animals				
	Cat:	400 Revenue: Gain(Loss)/Hogs				

31. Frank and Frieda paid the following expenses from their checking account in the fourth quarter (See checkbook transaction # 5):

Date: Num	Payee:	Payment	C	Deposit	Balance
12/31	Paid operating expenses	$28,440.00			$21,990.00
1995 Split:					
Cat:	500 Expenses: Operating/Corn95				

Split Transaction

Category	Memo	Amount
1:500 Expenses: Operating/Corn95		$12,350.00
2:500 Expenses: Operating/Beans95		7,315.00
3:500 Expenses: Operating/Hogs		8,775.00

32. Each quarter, Frank and Frieda purchase $4,500 of feed for the hog enterprise. (See checkbook transaction # 6.)

Date: Num	Payee:	Payment	C	Deposit	Balance
12/31	Hog feed dealer	$4,500.00			$17,490.00
1995 Memo:	36 Tons @ $125/ton				
Cat:	500 Expenses: Feed/Hogs				

33. During the fourth quarter, Frank and Frieda purchased new breeding stock for $500. (See checkbook transaction # 15.)

Date: Num	Payee:	Payment	C	Deposit	Balance
12/31	Goode pigs	$500.00			$16,990.00
1995 Memo:	Boars				
Cat:	[151 Purchased]Cost				

34. Frank and Frieda wrote checks to themselves for family living expenses each quarter. (See checkbook transaction # 7.)

Date: Num	Payee:	Payment	C	Deposit	Balance
12/31	Frank & Frieda Farmer	$7,200.00			$9,790.00
1995 Memo:	Reg + gifts + vacation				
Cat:	[300 Equity]				

35. On December 31, 1995, the Farmers made their annual principal payment of $3,000 on their real estate and paid the accrued interest of $5,400. (See checkbook transaction # 9.)

Date: Num	Payee:	Payment	C	Deposit	Balance
12/31	Real estate note holder	$8,400.00			$1,390.00
1995 Split:					
Cat:	[220 Current]				

Split Transaction

Category	Memo	Amount
1:[220 Current]	Principal	$3,000.00
2:500 Expenses:Interest/Overhead	Interest	5,400.00

36. Frank and Frieda borrowed $10,000 on an operating note due within one year at 12% interest. (See checkbook transaction # 8.)

Date: Num	Payee:	Payment	C	Deposit	Balance
12/31	Local ag lender			$10,000.00	$11,390.00
1995	Memo:				
Cat:	[210 Notes]				

37. In the fourth quarter, Frank and Frieda pay $1,730 toward the accrued interest.

Recording the transaction increases the checking balance (cash flow), increases expenses (Income Statement), and assigns the expense to a cost center using a class name. EQUITY decreases by the amount of the increase expense (Balance Sheet).

Date: Num	Payee:	Payment	C	Deposit	Balance
12/31	Local ag lender	$1,730.00			$9,660.00
1995	Memo:				
Cat:	[Expenses: Interest/Operating]				

Create a Cash Flow Report

A cash flow report can be created at any time. In this example, Frank and Frieda decided to create a cash flow report by quarters for the period January 1, 1995 to December 31, 1995.

To create the cash flow report from either the Main Menu, Register, or Write Checks screen:

Choose → Create Reports → Business Reports ... → Cash Flow

Use the title "Farmer Cash Flow by Quarter" and the months from "1/95" through "12/95." To make a quarterly report

Choose → Layout → Column Heading... → Quarter

and see the printed report on page 23. After creating the report, memorize the report format.

Farmer Cash Flow by Quarters
1/ 1/95 Through 12/31/95
F&F_FARM-Bank,Cash,CC Accounts

Category Description	1/95- 3/95	4/95- 6/95	7/95- 9/95
INFLOWS			
400 Revenue–cash farm:			
Corn	$38,050.00	$19,000.00	0.00
Gain(Loss)–sales of cull stock	0.00	1,560.00	0.00
Market hogs	13,440.00	13,440.00	$13,440.00
Soybeans	16,725.00	0.00	16,725.00
Total 400 Revenue–cash farm	$68,215.00	$34,000.00	$30,165.00
720 Gain(Loss)–farm capital assets	1,000.00	0.00	0.00
From 166 Machinery	7,000.00	0.00	0.00
From 210 Notes–due within one year	40,000.00	40,000.00	10,000.00
TOTAL INFLOWS	$116,215.00	$74,000.00	$40,165.00
OUTFLOWS			
500 Expenses–cash farm:			
Feed–purchased	4,500.00	4,500.00	4,500.00
Interest–expense	5,860.00	2,880.00	3,000.00
Operating–expenses	24,975.00	34,570.00	17,955.00
Total 500 Expenses–cash farm	$35,335.00	$41,950.00	$25,455.00
To 161 Purchased–breeding stock	0.00	500.00	0.00
To 166 Machinery	5,000.00	0.00	0.00
To 210 Notes–due within one year	70,000.00	20,000.00	10,000.00
To 220 Current–portion of term notes	0.00	6,000.00	0.00
To 300 Equity	5,200.00	6,400.00	5,200.00
TOTAL OUTFLOWS	$115,535.00	$74,850.00	$40,655.00
OVERALL TOTAL	$680.00	-$850.00	-$490.00

Category Description	10/95- 12/95	Overall Total
INFLOWS		
400 Revenue–cash farm:		
Corn	$19,000.00	$76,050.00
Gain(Loss)–sales of cull stock	1,500.00	3,060.00
Market hogs	13,440.00	53,760.00
Soybeans	11,150.00	44,600.00
Total 400 Revenue–cash farm	$45,090.00	$177,470.00
720 Gain(Loss)–farm capital assets	0.00	1,000.00
From 166 Machinery	0.00	7,000.00
From 210 Notes–due within one year	10,000.00	100,000.00
TOTAL INFLOWS	$55,090.00	$285,470.00
OUTFLOWS		
500 Expenses–cash farm:		
Feed–purchased	4,500.00	18,000.00
Interest–expense	7,130.00	18,870.00
Operating–expenses	28,440.00	105,940.00
Total 500 Expenses–cash farm	40,070.00	142,810.00
TO 161 Purchased–breeding stock	500.00	1,000.00
TO 166 Machinery	0.00	5,000.00
TO 210 Notes–due within one year	0.00	100,000.00
TO 220 Current–portion of term notes	3,000.00	9,000.00
TO 300 Equity	7,200.00	24,000.00
TOTAL OUTFLOWS	$50,770.00	$281,810.00
OVERALL TOTAL	$4,320.00	$3,660.00

End-of-Year Adjusting Entries

To produce an accrual Balance Sheet and Income (profit and loss) Statement at the end of the accounting period (normally year-end), some accounts require additional transactions to bring the accounts up to date on an accrual basis. The primary source of information for adjusting entries is a detailed inventory of assets and liabilities taken on the last day of the accounting period.

Examples include recording the depreciation of assets, converting prepaid items from assets to expenses, noncash patronage dividends, adjusting inventory values, and recording as expenses interest owed but not yet paid. The end-of-year adjusting entries convert cash-basis records to the accrual basis. This achieves a proper matching of revenues and expenses in the accounting period and an accurate Balance Sheet at the end of the period.

1. After recording all the 1995 checkbook transactions, the cash balance of 12/31/95 was $9,660. There is no need to update the checking account balance.

2. On 12/31/95, the farm has the same corn inventory of 30,000 bushels valued at $2 per bushel as at the first of the year. There is no need to update the corn inventory account balance.

3. The farm's soybean inventory dropped from 4,000 bushels to 3,000 bushels as of 12/31/95. The soybeans are neither forward-priced or hedged. Frank and Frieda estimate the market price less selling cost at $5 per bushel, giving a new inventory value of $15,000.

    Use the Quicken Update Account Balance feature under the Activities Menu to update the *133 Inventory-Soybean* account from $20,000 to $15,000 of 12/31/95. Assigning the changes to an income category and class name decreases the inventory account (Balance Sheet), decreases noncash income (Income Statement), and assigns the noncash income to a farm enterprise using a class name. EQUITY decreases (Balance Sheet).

    Quicken records the following:

Date: Num	Payee:	Decrease	C	Increase	Balance
12/31	Balance adjustment	$5,000.00			$15,000.00
1995 Memo:					
Cat:	400 Crops: Inventory/Beans95				

4. Frank and Frieda have several feeder and market hogs on inventory as of 12/31/95. The hogs are of various weights and sizes. Using that information and the market price on

the Balance Sheet date, they have estimated the value of the feeder and market hogs at $22,000.

Use the Quicken Update Account Balance feature under the Activities Menu to update the *132 Inventory-Market Hogs* account from $20,000 to $22,000 as of 12/31/95. Assigning the changes to an income category and class name increases the inventory account balance (Balance Sheet), increases noncash income (Income Statement), and assigns the noncash income to a farm enterprise using a class name. EQUITY increases (Balance Sheet).
Quicken records the following:

Date: Num	Payee:	Decrease	C	Increase	Balance
12/31	Balance adjustment			$2,000.00	$22,000.00
1995 Memo:					
Cat:	450 Inventory: Market Hogs/Hogs				

5. Frank and Frieda have supplies on hand that cost $3,340. They use that value on the Balance Sheet date.

Use the Quicken Update Account Balance feature under the Activities Menu to update the *133 Inventory-Supplies* account from $5,000 to $3,340 as of 12/31/95. Assigning the changes to an expense category and class name decreases the supplies account (Balance Sheet), increases noncash expenses (Income Statement), and assigns the noncash expense to a farm cost center using a class name. EQUITY decreases (Balance Sheet).

Quicken records the following:

Date: Num	Payee:	Decrease	C	Increase	Balance
12/31	Balance adjustment	$1,660.00			$3,340.00
1995 Memo:					
Cat:	700 Expenses: Supplies/Overhead				

6. At year-end, two changes are necessary to update the value of machinery asset account *166 Machinery*. The first transaction records the total annual depreciation of $14,000 of the various equipment items. Frank and Frieda's tax preparer calculated the total annual depreciation. Assigning the expense category and class name to the following transaction recorded in the other asset account *166 Machinery* decreases the machinery account value (Balance Sheet), increases the noncash expenses (Income Statement) and assigns the noncash expense to the class name which tracks accumulated depreciation. EQUITY decreases (Balance Sheet).

Record the following transaction in the other asset account named *166 Machinery*:

Date:	Num	Payee:	Decrease	C	Increase	Balance
12/31		Record depreciation	$14,000.00			$86,000.00
1995	Memo:					
	Cat:	600 Depr./Dep				

The second transaction is used to record the difference between the balance of the machinery account and the market value. Frank and Frieda estimate the market value of their machinery on 12/31/95 to be $94,000.

If you have a Windows version of Quicken, use the "Update Account Balance" feature in the Activities Menu to update the *166 Machinery* account from $86,000 to $94,000 as of 12/31/95. Otherwise, record an increase of $8,000 to make the adjustment. Assigning the changes to another liability account [320 Valuation] and class name '/Mkt' increases the balance of the machinery account (Balance Sheet), increases the value of the other liability account (Balance Sheet) and assigns the transferred amount to the class name *Mkt*, which tracks market value. By transferring the increase in an asset account to a liability account, it bypasses the Income (Profit & Loss) Statement and the Cash Flow Report, allowing the increased value to appear only on the Balance Sheet report, since P&L and Cash Flow statements are based on Income and Expense *categories*.

Quicken records the following:

Date:	Num	Payee:	Decrease	C	Increase	Balance
12/31		Balance adjustment			$8,000.00	$94,000.00
1995	Memo:					
	Cat:	[320 Valuation]/Mkt				

7a. The book value of Frank and Frieda's purchased breeding animals on 12/31/95 was $3,000 after the purchase of $1,000 of breeding stock during the year. The checks written during the year to purchase breeding stock were assigned to the account named *161 Purchases*, which transfers (converts) a cash money asset to a physical asset purchased breeding stock.

Recording the total annual depreciation of $1,000 using an expense category and a class name in the other asset account *161 Purchases*, decreases the account balance (Balance Sheet), increases noncash expenses (Income Statement), and assigns the class name *Dep*, which tracks accumulated depreciation. EQUITY decreases (Balance Sheet).

Record the following transaction in the other asset account named *161 Purchases*:

Date: Num	Payee:	Decrease	C	Increase	Balance
12/31	Record depreciation	$1,000.00			$2,000.00
1995 Memo:					
Cat:	600 Depre./Dep				

Frank and Frieda estimate the market value of their purchased breeding stock to be $2,000, the same as their historical book value.

7b. Due to a decrease in the number of animals, the base value of the raised breeding livestock dropped from $8,000 to $7,000. The per head base value did not change.

The FFSTF recommended that changes in the number of raised breeding livestock be reflected on the Income (Profit & Loss) Statement. Changes in the per head base value should be reflected only on the balance sheet valuation equity account.

Use the Quicken Update Account Balance feature under the Activities Menu to update the *162 Raised-Livestock* account from $8,000 to $7,000 as of 12/31/95. Assigning the changes to an income category and class name decreases the account balance (Balance Sheet), decreases noncash income (Income Statement), and assigns the noncash income to the class name *Base*, which tracks base values. EQUITY decreases (Balance Sheet).

Quicken records the following:

Date: Num	Payee:	Decrease	C	Increase	Balance
12/31	Balance adjustment	$1,000.00			$7,000.00
1995 Memo:					
Cat:	440 Change in/Base				

8a. At year-end, two adjusting entries are needed to update the value in the *190 Real Estate-Land & Buildings* account. The first transaction is to record the total annual depreciation of $2,000 of the various buildings.

Assigning an expense category and a class name to the following transaction recorded in the other asset account *190 Real Estate* decreases the account balance (Balance Sheet), increases noncash expenses (Income Statement), and assigns the class name *Dep*, which tracks accumulated depreciation. EQUITY decreases (Balance Sheet).

Record the following transaction in the other asset account named *190 Real Estate*:

Date: Num	Payee:	Decrease	C	Increase	Balance
12/31	Record depreciation	$2,000.00			$125,000.00
1995 Memo:					
Cat:	600 Depre./Dep				

8b. The second transaction is used to record the difference between the balance of the land and buildings account and the market value of $137,000 as of 12/31/95.

Use the Quicken Update Account Balance feature under the Activities Menu to update the *190 Real Estate-Land & Buildings* account to $137,000 as of 12/31/95. Assigning another liability account and class name increases the balance of the real estate account (Balance Sheet), increases the value of the other liability account named *320 Valuation* (Balance Sheet), and assigns the transferred amount to the class name *Mkt*, which tracks market value. EQUITY increases (Balance Sheet).

By transferring the increase in another asset account to another liability account it bypasses the Income (Profit & Loss) Statement and Cash Flow Report. This allows the increased market value to appear only on the Balance Sheet report.

Quicken records the following:

Date: Num	Payee:	Decrease	C	Increase	Balance
12/31	Balance adjustment			$12,000.00	$137,000.00
1995 Memo:					
Cat:	[320 Valuation]/Mkt				

9a. As of 12/31/95, Frank and Frieda's Accounts Payables totaled $16,000.

Use the Quicken Update Account Balance feature under the Activities Menu to update the *200 Accounts-Payable* account from $12,000 to $16,000 as of 12/31/95. Assigning the changes to an expense category and class name increases the other liability account (Balance Sheet), increases noncash expenses (Income Statement), and assigns the noncash expenses to a farm cost center using a class name. EQUITY decreases (Balance Sheet).

Quicken records the following:

Date: Num	Payee:	Increase	C	Decrease	Balance
12/31	Balance adjustment	$4,000.00			$16,000.00
1995 Memo:					
Cat:	600 Expenses: Payables/Overhead				

9b. After recording all the 1995 checkbook transactions involving the other liability account named *210 Notes-Due Within One Year* as transfers, the balance of operating loans was $70,000 as of 12/31/95. No end-of-year adjusting entry was required to this account.

10. The end-of-year transaction necessary to update the other liability account named *270 Mach. Note-Noncurrent* is to transfer $6,000 from the account to the other liability account named *220 Current-Portion of Term Notes*.

Recording the following transaction in the other liability account named *270 Mach. Note-Noncurrent* decreases one other liability (Balance Sheet) and increases another other liability account (Balance Sheet). EQUITY does not change.

Date: Num	Payee:	Increase	C	Decrease	Balance
12/31	Record transfer to current				$6,000.00
$18,000.00					
1995 Memo:					
Cat:	[220 Current]				

10b, 11, 12.   Frank and Frieda's accrued interest on 12/31/95 on the various liability accounts totaled $7,300.

$1,660 for accounts payable ($16,000 x 16% x 236 days)
$4,200 for operating loan ($70,000 x 12% x 6 months)
$1,440 for machinery note ($24,000 x 12% x 6 months)

Since there is no change in the accrued interest from the beginning of the year, no adjusting entry is needed.

13. At year-end the $3,000 payment on the real estate note needs to be transferred from the liability account named *272 Real Estate-Noncurrent* to the lability account named *220 Current-Portion of Term Notes*.

Recording the following transaction in the other liability account named *272 Real Estate-Noncurrent* decreases one other liability (Balance Sheet) and increases another liability account (Balance Sheet). EQUITY does not change.

Date: Num	Payee:	Increase	C	Decrease	Balance
12/31	Record transfer to current				$3,000.00
$51,000.00					
1995 Memo:					
Cat:	[220 Current]				

14, 15.   Frank and Frieda's accrual real estate taxes of $500, accrual income, and Social Security taxes of $1,200 have not changed since the beginning of the year. No end-of-year adjustments were needed.

<u>Create Beginning and Ending Balance Sheet Reports</u>

Once all the end-of-year adjustments to the asset and liability account balances have been entered, Frank and Frieda can create a Balance Sheet as of December 31, 1995. The following steps produces the following Balance Sheet report.

To recreate the Balance Bheet report from either the Main Menu, Register, or Write Checks screen:

Choose → Create Reports → Memorized Reports → Farmer Balance Sheet Market...

Change the dates from "12/31/94" through "12/31/95." To make a beginning and ending Balance Sheet report

Choose → Layout → Column Heading... → Year

and see the printed report on page 23. After creating the report, memorize and replace the report format. Repeat the process for a cost basis balance sheet. See the reports on pages 40-43.

Farmer Balance Sheet Market Value
As of 12/31/95
F&F_FARM-Selected Accounts

Account	1/1/95 Balance	12/31/95 Balance
ASSETS		
Cash and bank accounts		
111 Checking-farm	$6,000.00	$9,660.00
Total Cash and Bank Accounts	$6,000.00	$9,660.00
Other Assets		
130 Inventory-corn	60,000.00	60,000.00
131 Inventory-soybeans	20,000.00	15,000.00
132 Inventory-market hogs	20,000.00	22,000.00
133 Inventory-supplies	5,000.00	3,340.00
161 Purchased-breeding stock		
Cost	5,000.00	6,000.00
Dep	-3,000.00	-4,000.00
Total 161 Purchased-breeding stock	$2,000.00	$2,000.00
162 Raised-breeding stock		
Base	8,000.00	7,000.00
Total 162 Raised-breeding stock	$8,000.00	$7,000.00
166 Machinery		
Cost	127,000.00	120,000.00
Dep	-30,000.00	-39,000.00
Mkt	5,000.00	13,000.00
Total 166 Machinery	$102,000.00	$94,000.00
190 Real Estate-land/buildings		
Cost	124,000.00	124,000.00
Dep	-12,000.00	-14,000.00
Mkt	15,000.00	27,000.00
Total 190 Real Estate-land/buildings	$127,000.00	$137,000.00
Total Other Assets	344,000.00	340,340.00
TOTAL ASSETS	$350,000.00	$350,000.00

Account	1/1/95 Balance	12/31/95 Balance
LIABILITIES & EQUITY		
LIABILITIES		
Other Liabilities		
200 Accounts-payable	$12,000.00	$16,000.00
210 Notes-due within one year	70,000.00	70,000.00
220 Current-portion term notes	9,000.00	9,000.00
230 Interest-accrued	7,300.00	7,300.00
242 Income-taxes payable	1,200.00	1,200.00
243 Other taxes-payable	500.00	500.00
270 Mach. note-noncurrent	24,000.00	18,000.00
272 Real estate-noncurrent	54,000.00	51,000.00
300 Equity	152,000.00	128,000.00
330 Valuation-equity	20,000.00	40,000.00
Total Other Liabilities	$350,000.00	$341,000.00
TOTAL LIABILITIES	350,000.00	341,000.00
EQUITY	0.00	9,000.00
TOTAL LIABILITIES & EQUITY	$350,000.00	$350,000.00

Farmer Balance Sheet Cost Basis
As of 12/31/95
F&F_FARM-Selected Accounts

Account	1/1/95 Balance	12/31/95 Balance
ASSETS		
Cash and bank accounts		
111 Checking-farm	$6,000.00	$9,660.00
Total Cash and Bank Accounts	$6,000.00	$9,660.00
Other Assets		
130 Inventory-corn	60,000.00	60,000.00
131 Inventory-soybeans	20,000.00	15,000.00
132 Inventory-market hogs	20,000.00	22,000.00
133 Inventory-supplies	5,000.00	3,340.00
161 Purchased-breeding stock		
Cost	5,000.00	6,000.00
Dep	-3,000.00	-4,000.00
Total 161 Purchased-breeding stock	$2,000.00	$2,000.00
162 Raised-breeding stock		
Base	8,000.00	7,000.00
Total 162 Raised-breeding stock	$8,000.00	$7,000.00
116 Machinery		
Cost	127,000.00	120,000.00
Dep	-30,000.00	-39,000.00
Total 166 Machinery	$97,000.00	$61,000.00
190 Real Estate-land & buildings		
Cost	124,000.00	124,000.00
Dep	-12,000.00	-14,000.00
Total 190 Real Estate-land & buildings	$112,000.00	$110,000.00
Total Other Assets	$324,000.00	$300,340.00
TOTAL ASSETS	$330,000.00	$310,000.00

Account	1/1/95 Balance	12/31/95 Balance
LIABILITIES & EQUITY		
LIABILITIES		
Other Liabilities		
200 Accounts-payable	$12,000.00	$16,000.00
210 Notes-due within one year	70,000.00	70,000.00
220 Current-portion of term notes	9,000.00	9,000.00
230 Interest-accrued	7,300.00	7,300.00
242 IncTaxPayable	1,200.00	1,200.00
243 Other Taxes-payable	500.00	500.00
270 Mach. Note-noncurrent	24,000.00	18,000.00
272 Real Estate-noncurrent	54,000.00	51,000.00
300 Equity	152,000.00	128,000.00
Total Other Liabilities	$330,000.00	$301,000.00
TOTAL LIABILITIES	$330,000.00	$301,000.00
EQUITY	0.00	9,000.00
TOTAL LIABILITIES & EQUITY	$330,000.00	$310,000.00

Create an Income Statement

An Income (profit & loss) Statement report can be created at any time, but it should not be created until after the end-of-year adjusting entries have been made. Frank and Frieda created an accrual adjusted Income Statement report for the year January 1, 1995 to December 31, 1995.

To create the Income Statement report from either the Main Menu, Register, or Write Checks screen:

Choose → Create Reports → Business Reports . . . → P & L Statement

Use the title "Farmer Income Statement" and the months from "1/95" through "12/95." Memorize the report. See page 45.

Frank and Frieda also wanted a cash basis Income Statement including depreciation. To create a cash farm Income Statement report from either the Main Menu, Register, or Write Checks screen:

Choose → Create Reports → Business Reports . . . → P & L Statement

Use the title "Farmer Cash Farm Income Statement" and the months from "1/95" through "12/95."

Choose → Edit → Categories . . . → Selected

Use the space bar to exclude the following categories from the report.

Category	Type		Description
450	Inventory	Inc	Adjustments
Breeding	Sub		Livestock
Corn	Sub		
Market hogs	Sub		
Soybeans	Sub		
700	Expenses	Expns	Accrual adjustments
Interest	Sub		Accrual
Other	Sub		
Payables	Sub		
Prepaid items	Sub		
Supplies	Sub		

Memorize the report. (See page 46.)

Farmer Income Statement
1/1/95 Through 12/31/95
F&F_FARM-All Accounts

Category Description	1/1/95-12/31/95
INCOME/EXPENSE	
INCOME	
400 Revenue-cash farm:	
Corn	$76,050.00
Gain(Loss)-sales of cull stock	3,060.00
Market hogs	53,760.00
Soybeans	44,600.00
Total 400 Revenue-cash farm	$177,470.00
450 Inventory-adjustments:	
Breeding-livestock	-1,000.00
Market hogs	2,000.00
Soybeans	-5,000.00
Total 450 Inventory-adjustments	-$4,000.00
720 Gain(Loss)-farm capital assets	1,000.00
TOTAL INCOME	$174,470.00
EXPENSES	
500 Expenses-cash farm:	
Feed-purchased	18,000.00
Interest-expense	18,870.00
Operating-expenses	105,940.00
Total 500 Expenses-cash farm	$142,810.00
600 Depreciation-expense	17,000.00
700 Expenses-accrual adjustments:	
Payables	4,000.00
Supplies	1,660.00
Total 700 Expenses-accrual adjustments	$5,660.00
TOTAL EXPENSES	$165,470.00
TOTAL INCOME/EXPENSE	$9,000.00

Farmer Cash Farm Income Statement
1/1/95 Through 12/31/95
F&F_FARM-All Accounts

Category Description	1/ 1/95-12/31/95
INCOME/EXPENSE	
INCOME	
400 Revenue-cash farm:	
Corn	$76,050.00
Gain(Loss)-sales of cull stock	3,060.00
Market hogs	53,760.00
Soybeans	44,600.00
Total 400 Revenue-cash farm	$177,470.00
720 Gain(Loss)-farm capital assets	1,000.00
TOTAL INCOME	$178,470.00
EXPENSES	
500 Expenses-cash farm:	
Feed-purchased	18,000.00
Interest-expense	18,870.00
Operating-expenses	105,940.00
Total 500 Expenses-cash farm	$142,810.00
600 Depreciation-expense	17,000.00
TOTAL EXPENSES	$159,810.00
TOTAL INCOME/EXPENSE	18,660.00

Appendix A

Copying Data Files to Your Quicken Directory

The following five files are found on the enclosed disk and should be copied to your Quicken directory:

F&F_Farm.QDI
F&F_Farm.QDT
F&F_Farm.QMT
F&F_Farm.QST
F&F_Farm.QNX

Follow these steps:

1. Exit to the DOS prompt if not already there.
2. Move to the root directory of your hard drive by typing: **cd** and pressing the **Enter** key.
3. Type: **dir q*** and press **Enter**. A list of all files and directories beginning with the letter "q" will be displayed. Identify the Quicken directory. It may be: c:\quicken, c:\quicken7, c:\quickenw, or something similar.
4. Assuming the directory is c:\quicken, type: **cd\quicken** and press **Enter**. You should now see, "c:\quicken" at the DOS prompt. To make sure this is the correct directory, type: **dir q*** and press **Enter**. You should see several files beginning with the letter "q," including the file "q.exe."
5. Put the floppy disk in the drive. Assuming the drive is "b," type: **copy b:*.q*** and press **Enter**. All four files will be copied to the directory. You are now ready to run Quicken.
6. If you have been using Quicken and have your data in another directory, you will have to set the directory from the **Set File Preferences** submenu, accessed from the opening menu. The procedure is slightly different, depending on the version of Quicken you have. Since there are only four data files for each "set of books," it is recommended that you keep all data files in the same directory.

Renaming and Using the Empty Data Files

There are additional sets of files on the disk. One set starts with "pracfarm." Use this one to practice entering the data in this publication, starting first on page 5 with beginning balances, then enter the transactions from Appendix B (starting on page 17). Other sets of files may be partially set up for dairying or general farming, etc. These are completely empty. You can **Select** them one at a time and examine the list of Accounts and Categories. When you see one that more nearly fits your operation, copy it onto your hard drive then rename it. Choose a name for your set of books with no more that eight letters or numbers. You can call it, "myfarm," "ourfarm," etc. Assuming you will name them "myfarm," do the following:

1. Log onto the floppy drive with the disk, by typing: **b:** and pressing **Enter**, if that is the proper drive.
2. Assuming you choose "dairyfrm.Q," copy all five files to the hard drive by typing: **copy dairyfrm.* c:\quicken** and press **Enter**.
3. To rename the files, type: **ren dairyfrm.* myfarm.*** and all five files will be renamed at once.

Editing Accounts and Categories

1. Start Quicken and select the "myfarm" file (or whatever name you gave it).
2. When you see the screen entitled, "Select Account to Use," you should see a list of accounts, beginning with **111 Checking**. Use the arrow (if using the DOS version) to highlight the account you want to modify. Suppose you don't raise soybeans, but raise alfalfa. Type: **Ctrl-E** (hold down the Ctrl key and press the letter "e." Move to the "Memo" field and change Soybeans to Alfalfa. Press the **F10** function key to save.
       Do this for every account you want to modify. It is recommended you change only the memo field for the time being, since the special reports are already memorized. Don't be too anxious to delete unwanted accounts. Wait a while, as you may want to edit and use an un-used account.
3. When you are finished, select the checking account and press **Enter**. You should see the register screen with horizontal and vertical lines.
4. Press **Ctrl-C** to bring up the Category and Transfer list. You can Edit these by pressing **Ctrl-E** and changing the "Name" field to fit your needs. At the bottom of this list you will find names enclosed in square brackets. These are the accounts you edited earlier. The brackets designate accounts, while those without brackets are categories. Exit by pressing **Enc** just once.

Editing Classes

    While in the same register screen, type: **Ctrl-L** to bring up the Class list. This is like another subcategory level. You can edit them as needed. Change only the crop and livestock class names as needed. <u>Do not delete or change</u> any other class.

Editing Memorized Transactions

    The original memorized transactions for Frank and Frieda have been left in the empty data files. As you enter the transactions starting on page 17 (also found in Appendix B), you can recall the transactions and speed up entry. If you have version 7 or higher of Quicken, you may see the correct entry after you type the first few letters. If so, press **Enter**. If it looks close, type **Ctrl-T** and pick it off the list.

    While you may not want to change any of these memorized transactions while practicing, they can be edited by entering **Ctrl-E** after highlighting the entry you want to change.

Appendix B

Transactions List

<div align="center">

1/1/95 Through 12/31/95
F&F_FARM-All Accounts

</div>

Date Acct	Num	Description	Category	Amount
BALANCE 12/31/94				0.00
3/31 111 Chkg	dep	Local Grain Buyer	400 Revenue: Corn/Corn94	38,050.00
3/31 111 Chkg	dep	Feed/Grain Dealer	400 Revenue:Soybeans/Beans94	16,725.00
3/31 111 Chkg	dep	Mr. Able Hoggbyer	400 Revenue: Market Hogs/Hog	13,440.00
3/31 111 Chkg	dep	S Used Tractor Dealer	[166 Machinery]/Cost	7,000.00
			[166 Machinery]/Dep	-5,000.00
			720 Gain(Loss)/Overhd	1,000.00
3/31 111 Chkg	101	S Paid Optg Expenses	500 Expenses:Operating/Corn	-10,850.00
			500 Expenses:Operating/Bean	-6,500.00
			500 Expenses:Operating/Hogs	-7,625.00
3/31 111 Chkg	102	Hog Feed Dealer	500 Expenses:Feed/Hogs	-4,500.00
3/31 111 Chkg	103	Frank & Freida Farmer	[300 Equity]	-5,200.00
3/31 111 Chkg	dep	Local Ag Lender	[210 Notes]	40,000.00
3/31 111 Chkg	104	S Local Ag Lender	[210 Notes]	-70,000.00
			500 Expenses:Interest/Overhead	-5,860.00
3/31 300 Equity		Frank & Freida Farmer	[111 Chkg]	5,200.00
3/31 210 Notes		Local Ag Lender	[111 Chkg]	70,000.00
3/31 210 Notes		Local Ag Lender	[111 Chkg]	-40,000.00
3/31 166 Mach'ry		Used Tractor Dealer	[111 Chkg]/Dep	5,000.00
3/31 166 Mach'ry		Used Tractor Dealer	[111 Chkg]/Cost	-7,000.00
6/30 111 Chkg	105	S Paid Optg Expenses	500 Expenses:Operating/Hogs	-10,670.00
6/30 111 Chkg	106	Hog Feed Dealer	500 Expenses:Feed/Hogs	-4,500.00
6/30 111 Chkg	107	Goode Pigs	[161 Purchased]/Cost	-500.00
6/30 111 Chkg	108	Frank & Freida Farmer	[300 Equity]	-6,400.00
6/30 111 Chkg	109	S Tractor Note Holder	[220 Current]	-6,000.00
			500 Expenses:Interest/Overhead	-2,880.00
6/30 111 Chkg	dep	Local Ag Lender	[210 Notes]	40,000.00
6/30 111 Chkg	110	Local Ag Lender	[210 Notes]	-20,000.00
6/30 300 Equity		Frank & Freida Farmer	[111 Chkg]	6,400.00
6/30 111 Chkg	dep	Local Grain Buyer	400 Revenue:Corn/Corn94	19,000.00
6/30 220 Current		Tractor Note Holder	[111 Chkg]	6,000.00
6/30 210 Notes		Local Ag Lender	[111 Chkg]	20,000.00
6/30 210 Notes		Local Ag Lender	[111 Chkg]	-40,000.00
6/30 111 Chkg	dep	Mr. Able Hoggbyer	400 Revenue:Market Hogs/Hog	13,440.00
6/30 111 Chkg	dep	Mr. Able Hoggbyer	400 Revenue:Gain(Loss)/Hogs	1,560.00

Date Acct	Num	Description	Category	Amount
6/30 111 Chkg	105	S Paid Opertg Expenses	500 Expenses:Operating/Corn	-15,000.00
			500 Expenses:Optg/Bean	-8,900.00
6/30 161 Purchased		Goode Pigs	[111 Chkg]/Cost	500.00
9/30 300 Equity		Frank & Freida Farmer	[111 Chkg]	5,200.00
9/30 111 Chkg	dep	Feed & Grain Dealer	400 Revenue:Soybeans/Beans	16,725.00
9/30 111 Chkg	dep	Mr. Able Hoggbyer	400 Revenue:Market Hogs/Hog	13,440.00
9/30 111 Chkg	111	S Paid Optg Expenses	500 Expenses:Operating/Corn	-8,260.00
9/30 210 Notes		Local Ag Lender	[111 Chkg]	10,000.00
9/30 210 Notes		Local Ag Lender	[111 Chkg]	-10,000.00
9/30 111 Chkg	111	S Paid Optg Expenses	500 Expenses:Operating/Bean	-5,390.00
			500 Expenses:Operating/Hogs	-4,305.00
9/30 111 Chkg	112	Hog Feed Dealer	500 Expenses:Feed/Hogs	-4,500.00
9/30 111 Chkg	113	Frank & Freida Farmer	[300 Equity]	-5,200.00
9/30 111 Chkg	dep	Local Ag Lender	[210 Notes]	10,000.00
9/30 111 Chkg	114	S Local Ag Lender	[210 Notes]	-10,000.00
			500 Expenses:Interest/Overh	-3,000.00
12/31 111 Chkg	120	Local Ag Lender	500 Expenses:Interest/Overh	-1,730.00
12/31 131 Invtry		Balance Adjustment	450 Inventory:Soybeans/Bean	-5,000.00
12/31 132 Invtry		Balance Adjustment	450 Inventory:Market Hogs/H	2,000.00
12/31 133 Invtry		Balance Adjustment	700 Expenses:Supplies/Overh	-1,660.00
12/31 111 Chkg	dep	Local Ag Lender	[210 Notes]	10,000.00
12/31 161 Purch'd		Goode Pigs	[111 Chkg]/Cost	500.00
12/31 161 Purch'd		Record Depreciation	600 Depre./Dep	-1,000.00
12/31 162 Raised		Balance Adjustment	450 Inventory:Breeding/Base	-1,000.00
12/31 111 Chkg	119	S RealEst Note Holder	500 Expenses:Interest/Overh	-5,400.00
			[220 Current]	-3,000.00
12/31 166 Mach'ry		Record Depreciation	600 Depre./Dep	-14,000.00
12/31 166 Mach'ry		Balance Adjustment	[330 Valuation]/Mkt	8,000.00
12/31 190 RealEs		Record Depreciation	600 Depre./Dep	-2,000.00
12/31 190 RealEs		Balance Adjustment	[330 Valuation]/Mkt	12,000.00
12/31 200 Accts		Balance Adjustment	700 Expenses:Payables/Overh	-4,000.00
12/31 111 Chkg	118	Frank & Freida Farmer	[300 Equity	-7,200.00
12/31 111 Chkg	117	Goode Pigs	[161 Purchased]/Cost	-500.00
12/31 111 Chkg	116	Hog Feed Dealer	500 Expenses:Feed/Hogs	-4,500.00
12/31 111 Chkg	115	S Paid Optg Expenses	500 Expenses:Operating/Hogs	-8,775.00
			500 Expenses:Operating/Bean	-7,315.00
			500 Expenses:Operating/Corn	-12,350.00
12/31 210 Notes		Local Ag Lender	[111 Chkg]	-10,000.00
12/31 111 Chkg	dep	Mr. Able Hoggbyer	400 Revenue:Gain(Loss)/Hogs	1,500.00
12/31 220 Current		Record Transfer Curren	[270 Mach. Note]	-6,000.00
12/31 220 Current		Record Transfer Curren	[272 Real Estate]	-3,000.00
12/31 220 Current		Real Estate Note Holder	[111 Chkg]	3,000.00

Date Acct	Num	Description	Category	Amount
12/31 270 MachNot		Record Transfer Curren	[220 Current]	6,000.00
12/31 272 RealEs		Record Transfer Curren	[220 Current]	3,000.00
12/31 111 Chkg	dep	Mr. Able Hoggbyer	400 Revenue:Market Hogs/Hog	13,440.00
12/31 111 Chkg	dep	Feed & Grain Dealer	400 Revenue:Soybeans/Beans	11,150.00
12/31 330 Valutn		Balance Adjustment	[190 Real Estate]/Mkt	-12,000.00
12/31 300 Equity		Frank & Freida Farmer	[111 Chkg]	7,200.00
12/31 330 Valutn		Balance Adjustment	[166 Machinery]/Mkt	-8,000.00
12/31 111 Chkg	dep	Local Grain Buyer	400 Revenue:Corn/Corn	19,000.00
TOTAL 1/ 1/95 - 12/31/95				9,000.00
BALANCE 12/31/95				9,000.00
TOTAL INFLOWS				455,470.00
TOTAL OUTFLOWS				-446,470.00
NET TOTAL				9,000.00