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AN APPLICATION OF PROGRAMED INSTRUCTION FOR COMMUNICATING
REPORTING INSTRUCTIONS TO COOPERATORS
OF A FARM ACCOUNTING SYSTEM

by

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TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENTS.	ii
INTRODUCTION.	v
CHAPTER	
I. THE TELFARM SYSTEM.	1
What is Telfarm	1
The Input Reporting Forms	2
The Telfarm Output Summaries.	3
Present Method of Instruction	3
II. THE NEED FOR CHANGE	4
III. THE NATURE OF PROGRAMED INSTRUCTION	8
Description of Programed Instruction.	8
Types of Programed Instruction.	8
Value of Programed Instruction.	9
IV. WRITING THE PROGRAM	11
Emphasis on Common Mistakes	11
Form 2 Mistakes	11
Form 3, Table 1 Mistakes.	12
Form 3, Table 2 Mistakes.	13
Form 3, Table 3 Mistakes.	13
Strategy of the Program	13
Key Points of the Program	14
V. A TELFARM AUTOTESTER.	19

	Page
Form 2.	20
Farm Financial Information.	20
Hired Labor Information	38
Credit Information.	43
Family Living Information	48
Enterprise Information.	59
Form 3, Table 1	82
Form 3, Table 2	95
Form 3, Table 3	98
VI. SUMMARY	101
BIBLIOGRAPHY.	103

INTRODUCTION

The aims of this project include the study and use of programmed instruction as a means of explaining to Telfarm cooperators the functions of the Telfarm system with emphasis on the proper methods of recording input data. Unfortunately, time will not allow me to study the effects of programmed instruction on Telfarm cooperators in order to have a better estimate of its usefulness in this type of situation. But, I will present the need for a change in the present method of instruction and will exhibit the potential available through use of programmed instruction.

CHAPTER I

The Telfarm System

What Is Telfarm

Telfarm (Today's Electronic Farm Records For Management) is a farm management educational program sponsored by the Cooperative Extension Service and Department of Agricultural Economics of Michigan State University. It incorporates the use of computers to assist the farm family with improved record keeping and has as its objective improved management and increased earnings on Michigan farms.

Telfarm officially began January 1, 1964, replacing the experimental mail-in farm account system which began in 1957 at Michigan State University. On January 1, 1964, there were 1131 cooperators enrolled in Telfarm and two years later this number had risen to 1370.

Basically, the Telfarm system involves the following processes. The cooperator enrolls in Telfarm and receives a Telfarm book. He records farm accounting data on the reporting forms in his book and is guided on how to properly use each form by a set of instruction sheets. The data he records may be farm business, nonfarm business, and/or family living information. At a specified time for each form, the cooperator mails the report to the Telfarm center at Michigan State University. The Telfarm center processes the forms for computer use and the information is keypunched and stored on magnetic tape. Each type of summary has a computer program written governing how the data are to be summarized. After the summaries are run by the computer, they are mailed to the cooperator to be used as a tool for decision making, for

income tax reporting, for credit information, and for other uses in his business.

The Telfarm system is made up of the cooperators at one end, the Telfarm center staff at the other end, and district and county extension agents in the middle acting as counselors. Presently there are approximately 17 personnel at the Telfarm center who work full-time directing and processing the data. This group includes two full time computer programmers. There are also seven agricultural economic extension specialists at Michigan State who devote half-time or more toward Telfarm functions, as well as six district extension agents who work full-time on the project, and approximately 88 county extension agents who devote part-time to the project.

The Input Reporting Forms

Each cooperator, after enrolling in Telfarm, receives a Telfarm book that consists of nine forms which are used to report farm and home information to the Telfarm center. The purpose of each form and the frequency at which they are to be used by the cooperator are as follows:

<u>Form</u>	<u>Purpose</u>	<u>Frequency</u>
1	Enrollment and fee schedule	Once a year
2	Report of financial details	Monthly
3	Report of investments, livestock, labor	Monthly
4	Depreciation schedule for machinery and improvements	First year only
5	Depreciation schedule for purchased livestock	First year only
6	Inventory of feed, grain, & supplies	First year only
7	Inventory of livestock	First year only

<u>Form</u>	<u>Purpose</u>	<u>Frequency</u>
9	Farm map	Once a year
10	Crop production and disposal	Once a year

The Telfarm Output Summaries

There are eight types of output summaries available to the cooperator. They are as follows:

1. Farm financial results (cash income and operating expenses)
2. Depreciation and inventory
3. Farm business analysis
4. Hired labor
5. Enterprise reports
6. Credit information
7. Asset-debt-net worth
8. Family living.

Farm financial results, hired labor, credit, and family living are quarterly summaries and the others are annual summaries.

It is expected that the cooperator will make a choice as to the summaries he desires based upon his farm's needs and his willingness to report information accurately and consistently.

Present Method of Instruction

Accompanying each of the nine input reporting forms is a set of instructions written on large (17" x 11") pages, that explain how the forms are to be filled out. Special instructions are also provided for reporting information that is to be used for the enterprise summary. The instructional information is written in paragraph form and illustrative examples are employed to supplement the instructions.

CHAPTER II

The Need For Change

There is a need in Telfarm for a system of instruction that will successfully transmit the basic information needed by the cooperator, especially in areas where the present system of instruction has failed. First, this need exists for those cooperators who feel that Telfarm is too complicated and, as a result, ultimately question the value of being enrolled in it. The cooperator may not object to the complexity, yet he may not be getting full value from the program and/or may cause the processing section extra problems. Thus, this need also exists for reducing the amount of errors in reporting data in order to increase the efficiency of processing at the Telfarm center.

John Doneth, Extension Specialist in Agricultural Economics at Michigan State University, stated in a report entitled "What Do Farmers Think of Telfarm" that cooperators frequently mentioned "complexity" as the greatest disadvantage of Telfarm.³ His report was based on a survey of the 1270 Telfarm cooperators in 1965. To overcome this complexity, Telfarm must meet its educational responsibility by training its cooperators to understand the functions of the Telfarm system, with emphasis on the proper methods of reporting input data. This may involve some training on the important concepts of farm accounting.

The complexity of Telfarm is observable at both the reporting and processing levels and undoubtedly leads to many of the mistakes that are made. As a result of these mistakes, people functioning in one part of the system are often critical of people functioning in another part

of the system. The processors at the Telfarm center are often puzzled, amused, or irritated over the mistakes cooperators make in their reports. The cooperators often will fail to understand how to record specific information and then will send in an incomplete report hoping that the people at the Telfarm center will know how to complete the form. This in turn may lead to the cooperator receiving a summary from the Telfarm center that is inaccurate or incomplete. Obviously the cooperator is not satisfied with such a summary; he will tend to be critical of the Telfarm system in general, even though he may also blame himself for the inaccuracy.

An educational system that can successfully communicate the desired information of its system to the learner will not reduce the complexity of the system, but will bring the learner up to a level where he can understand the complexities. It is not that the instructions do not contain the desired information, but that they have failed to successfully communicate this information that advocates the need for a change. Until a change is made, the avenue will remain open for the inefficiencies of the past to continue.

The need for a change, in order to increase the efficiency of the system, can be argued on both a time and cost basis. The time element is highly important in the Telfarm system, especially in preparing the depreciation and inventory summary which contains information that is to be reported on Federal income tax form 1040F. As the farmer must meet the February 15 deadline for filing his income tax, he relies on receiving his depreciation and inventory summary on time. The Telfarm center in turn relies on the farmer to be prompt in sending his report forms into the center to be processed. Since late reports

and mistakes in reporting tend to hinder the processing of the summaries, the Telfarm center is often pressed to have the summaries available to the farmer in the time desired.

Failure to follow instructions adds to the cost of Telfarm. The Telfarm center spends approximately \$300 a month on telephone calls, with a high percentage attributable to questions which arise from mistakes on the reports which have been sent in. Doneth's report states that farmers blame themselves more than the Telfarm center for errors in their summaries, which is indicative that cooperators fail to follow the present instructions in reporting data.² Thus, it may be argued that an improvement over the present method of instruction would not only reduce costs and save time, but would also increase the accuracy of the summaries received by the cooperator from the Telfarm center.

One alternative action which has been suggested to reduce mistakes made in Telfarm is to increase its personal service or personal contact between the extension specialist and the cooperator. In fact, increased personal service is desired by cooperators.³ However, while increased personal service will undoubtedly reduce the number of reporting errors, it will also increase the cost of the system. Since the cost of Telfarm is frequently mentioned by cooperators as its greatest disadvantage, a further rise in cost would be very unpopular. Also, cooperators often fail to take advantage of the personal service that is available to them. Doneth stated that "60 percent of the cooperators reported attending one or two meetings on Telfarm, but 29 percent said they attended no meetings."¹

Another alternative should be sought for improving the effectiveness of Telfarm's communication system. As of now, members depend almost entirely upon the present written forms for reference on how to report data. Thus, an improvement in these written forms may be the most desirable in light of the discussion above, and this leads us to programed instruction as a possibility for more successful communication.

CHAPTER III

The Nature of Programed Instruction

Description of Programed Instruction

The principles of programed instruction are not new. They evolved from the Socratic method of teaching and are over two thousand years old. However, only since this century has passed its halfway mark have such instructional methods come to age in our educational and instructional systems for teaching and training.⁵ Usually expressed in written forms, programed instruction essentially involves a short presentation of material, an objective question over the material, a response by the learner to the question, and a comparison of the learner's response to the correct response. By answering the response correctly, the learner actively enters the learning process.

Each unit of information is called a frame, and a series of frames presenting material in a logical sequence is called a program.

Programed instruction feeds information in small steps; whereas the conventional instruction manual feeds information en masse.⁷ As a result, the learner will need more time to read a program; however, the marginal rate of learning per unit of time should be greater.

Types of Programed Instruction

Basically there are two types of programed instruction: linear and intrinsic.⁴ The difference between the two is in the sequence of frames. A linear program is one in which all students work through the same fixed sequence of frames. It is based on the theory that learning is more effective when the student writes the correct response and is immediately

reinforced by a statement of the correct response. Since it emphasizes a reinforcement of the correct response, it is undesirable for the student to make many errors in the program. The material is presented, therefore, in a sequence that makes it possible for most students to respond correctly to each unit.

Intrinsic programing permits the student to choose his own sequence of frames by his responses to multiple choice questions. It involves a short discussion of material followed by a multiple choice question to determine if the information has been successfully communicated to the student. If a correct response is selected, a discussion of new material follows. A wrong response leads to a discussion on why the response was wrong followed with instructions to select another response.

There has been a great deal of controversy over which program is the most effective for learning. Certainly both types have their merits and the one to use depends on the type of situation in which it is to be applied. Since linear programs require less reading and more active responding, it is usually more applicable to situations requiring recall of specific information, as would be the case for Telfarm instruction. However, it may be unwise to strictly follow one type excluding the other. Thus, there will be an attempt to incorporate the methods of both types in this project.

Value of Programed Instruction

Educational research at Pennsylvania State University indicates that "programed material seems to be most appropriate for presenting factual information and basic concepts in a precise and concise form and in a logically, sequential manner."⁶ As previously mentioned, the errors of

Telfarm cooperators in reporting information are not due to a lack of information in the present instruction forms, but are caused by a failure of the instructions to communicate the information so that the cooperator has a working knowledge of it.

Programed instruction tends to stimulate the learner in its attempt to bring forth the desired response, and this would be its greatest asset in application to the Telfarm communication problem. A program is designed to single out the important concepts for the learner and logically lead him through the supply of information upon which he will base his understanding. The information that the learner acquires is reinforced by using it again in the learning process.

Another value of programed instruction is its means of communication. Whereas the present instruction forms of Telfarm represent a one-way communication (from the instruction forms to the learner), programed instruction involves a constant interchange of information between the learner and the program.⁸ This aids in creating an interest toward the material and the learner will tend to remember the information for a longer period of time. Researchers at Penn State write that "experimental evidence indicated that the student's active participation in an educative process is essential to effective learning.....his memory of factual information should be enhanced, his ability of conceptualization promoted, and the opportunity of broadening his viewpoint provided."⁶

CHAPTER IV

Writing the Program

Emphasis on Common Mistakes

Since the program has as one of its objectives the reduction of errors made by cooperators in reporting data, an identification of the more frequent mistakes is necessary. Personal interviews were held with three members of the Telfarm center staff--Jack Kaechele, Elsa Whitford, and Fran Lalonde--in order to determine the nature of the common mistakes of reporting. The people interviewed were selected on the basis of their particular work at the Telfarm center. Jack, who is the director of the Telfarm staff, often has to communicate with cooperators in order to clear questions involving their reports. Elsa and Fran are directly involved in the processing of the reporting forms.

The mistakes may be categorized as to the form on which they occur, and a listing of the more crucial mistakes that were mentioned in the interviews will follow.

Form 2 Mistakes

1. Cooperators often update their credit account even though the instructions state for them to only report debt payments and new amounts borrowed. The computer will update the accounts on the quarterly summary.

2. When debt payments are made, cooperators often fail to code interest as a farm expense and principal as a payment, disregarding what is explicitly stated in the instructions.

3. Cooperators often fail to describe items completely.
4. Omission of necessary data is a frequent error, especially on columns for physical amounts such as number of head, lbs., gal., etc.
5. Incoming receipts are often recorded in the outgoing expense column and vice versa.
6. Cooperators must code every line for "kind of transaction," and mistakes in coding are often made. Coding mistakes are also frequent in the incoming-outgoing columns.
7. Cooperators often fail to give a code for credit and labor records or are inconsistent in using previously assigned code numbers.
8. The owner code is frequently subject to mistakes, especially for situations other than single proprietorship.
9. Cooperators often use the wrong enterprise code.
10. Lot numbers are inconsistently used.

Form 3, Table 1 Mistakes

1. On a bought transaction, cooperators often fail to give a complete breakdown in the description.
2. Cooperators often are confused as how to report an item that has been traded for several items. The instructions call for an indication of the proportion of the item that should be added to each of the items bought.
3. There are times when cooperators fail to indicate the ID number of an item traded. If there are similar items in the description column, the processor will not know which one was traded.
4. Mistakes are numerous on the "dollar amount enter" column. These mistakes range from confusion between "cost" and "paid to boot" to complete omission of the column.

5. Omission mistakes are numerous on columns for owner number, date, quantity, new or used, years of life, and method of depreciation.

6. Confusion is often generated over the eligibility of items for optional 20% first year depreciation.

Form 3, Table 2 Mistakes

1. Many mistakes are made such that the columns do not balance.
2. Column 14 is subject to many errors. Cooperators often use an average that is inconsistent with the other columns.

Form 3, Table 3 Mistakes

1. Complete omission errors are frequent on this table.
2. The codes are often interchanged from previous reports.
3. There are occasions when hired labor will be written in this table; whereas, the instructions call for hired labor on form 2.

Strategy of the Program

A self-teaching program instructing Telfarm cooperators how to use forms 2 and 3 will follow in Chapter V. The program is designed to instruct the cooperator as to the type of information he must report in order to receive a particular output summary. Each frame in the program will attempt to cover a key concept that a cooperator should use in reporting information with emphasis on correcting the common mistakes currently being made by cooperators.

The strategy in writing the program is to first focus on types of information that should be reported on forms 2 and 3 and to bring out the basic differences between these two forms. The program will then discuss each of the Telfarm output summaries, starting with the financial

summary and following with summaries on labor information, credit analysis, family living transactions, and enterprise analysis. The final part of the program is concerned with procedures of reporting information for a depreciation schedule on form 3, table 1 and for reporting livestock and labor information on form 3, tables 2 and 3.

The program is designed for a cooperator to proceed at a rate based on his ability to comprehend the information presented in each frame. A key element in the program is the effort to make the material as interesting as possible in order to hold the cooperator's attention. Consideration of the educational levels of cooperators, as found in Table 1, has led to an attempt to keep the program simple and easy to read.

Table 1. Formal Educational Levels of Telfarm Cooperators, 1965.

Educational level	852 cooperators replying (percent)
Attended high school or less	19
Graduated from high school	44
Attended college	25
Graduated from college	12

Source: Doneth, op.cit., p. 8.

Specific and illustrative examples are used as a means of reinforcing several of the important points in the program, and touches of humor have been employed to make the program more enjoyable.

Key Points of the Program

The following outline serves as a guideline as to the concepts to be used in the program.

Basic Instructions

1. Distinguish between transactions to report on form 2 and transactions to report on form 3, table 1.
2. Establish importance of when monthly reports are due at the Telfarm center.
3. Inform as to how the pages of form 2 are to be numbered.
4. Emphasize the importance of a complete description of transaction items.
5. Mention the use of quantity factors such as number of head, amount in lbs., bu., etc.
6. Inform that farm business transactions should be separated from family living and nonfarm business transactions.
7. Explain how to use the incoming and outgoing columns (12 through 15) with emphasis on when to code items as receipts, expenses, accounts receivable, borrowed, internal transactions, etc.
8. Inform that each line must have an owner code.
9. Inform as to what the farm financial summary offers to the cooperator.

Labor Summary

1. Inform as to what the labor summary offers to the cooperator.
 - a. The quantity and cost of hired labor.
 - b. The amount withheld for social security, the amount that is owed, and the amount deposited.
 2. Instruct as to how labor records are started.
 3. Identify the columns that are a necessity in reporting information for a labor summary.
 4. Emphasize the importance of consistency in using labor codes.
-

5. Explain the procedure for reporting social security.
6. Remind cooperators that labor records are updated each quarter.

Credit Summary

1. Inform what the credit summary offers to the cooperator.
 - a. Serves as a tool for decision making.
 - b. Appraise the ability to take on new debts.
 - c. Checks the accuracy of charge accounts and credit statements.
 - d. Evaluates the cost of credit.
2. Explain as to how credit records are started.
3. Distinguish the difference in the coding of a principal payment from an interest payment.
4. Explain how to handle charge accounts.
5. Remind cooperators that credit records are updated each quarter.

Enterprise Reports

1. Inform what enterprise reports have to offer to the cooperator.
 - a. Gives an appraising estimate of the profitability of expanding, reducing, or eliminating an enterprise.
 - b. May advocate changes in practice to make an enterprise more profitable.
 - c. Suggest the time it will take to pay off an investment if expansion is needed.
2. Inform what each specific type of enterprise report will offer to the cooperator.
 - a. Dairy enterprise report.
 - b. Poultry laying flock report.

- c. General purpose livestock and poultry report.
 - d. General report for field crops, fruits, vegetables, flowers, nursery stock, and forest products.
 - e. Machinery report.
3. Define and explain the use of enterprise codes and lot numbers.
 4. Explain how to use internal transactions for enterprise reporting.
 5. Explain how to start an enterprise report.
 6. Emphasize the importance of being consistent in using enterprise codes and lot numbers.
 7. Explain when and how enterprise records terminate.
 8. Inform cooperators that enterprise records are updated each quarter.
 9. Explain specific instruction for enterprise reports.
 - a. How to handle home grown feed fed to livestock.
 - b. How to handle items used by more than one enterprise.
 - c. How to handle labor for enterprise reporting.
 - d. How to transfer groups from one lot (or code number) to another.

Form 3

1. Inform what the results of form 3 offer to the cooperator.
 - a. Depreciation schedule for tax purposes.
 - b. Livestock information to be used in enterprise reports and the farm business analysis summary.
 - c. Labor factors for farm business analysis.
2. Explain the use and importance of the 5 digit identification number.
3. Comment on the description column with respect to the 16 space limit, entering items as a group, and adding useful information to more fully describe the transaction.

4. Warn the cooperator to be cautious in using the columns on type of transaction and date, even though they are self-explanatory.
5. Explain the use of column 11 for each of the different transactions.
6. Comment on the columns for new or used, years of life, method of depreciation, and optional 20% additional first year depreciation.
7. Remind cooperators to record salvage value when necessary especially in dairy cows.
8. Explain what form 3, table 2 offers.
 - a. Pounds of milk sold per cow.
 - b. Pigs weaned per litter.
 - c. Lambs raised per ewe.
 - d. Eggs sold per hen.
9. Warn cooperators about using the wrong figure in column 14; they should have an average figure of the information called for in column 15.
10. Explain the purpose of form 3, table 3.
 - a. Summary of hours worked by the operator, partners, and unpaid family members.
11. Point out that a paid family member must have his wages recorded on form 2 and not form 3, table 3.
12. Emphasize the importance of being consistent in using worker codes on form 3, table 3.
13. Point out that the sum of columns 3 through 5 on form 3, table 3 must balance with the sum of columns 7 through 13.

CHAPTER V

A Telfarm Autotester

This program is specifically written for Telfarm cooperators. It is designed as instruction on the use of input forms 2 and 3.

The procedure of the program is as follows. Each section of the program has a full introductory page followed by the test material. The pages of the test material are divided into two parts--A and B. The reader will read the introductory page and then will be instructed to start on part A of the next page which will include a discussion followed by a question over the discussion. He will select the response to the question that he believes is correct and turns directly to part A on the following page for a discussion on the selected response. If the response he selected is correct, he will continue to a new frame on part A of the next page. If the response he selected is incorrect, he will be told why it is incorrect and will be instructed to return to the original question to select another response. There are times when the incorrect response is explained well enough so that the reader is instructed to continue to the next page without turning back. When the reader has completed all of the frames in part A, he will be instructed to return to the first page to start part B. He will complete part B of that section and then will continue on a new section.

Form 2, Farm Financial Information

Telfarm provides a quarterly farm financial summary of all cash income and expenses. This summary helps you decide in:

- a. estimating the effects of a change in farm organization;
- b. estimating taxable income for tax management;
- c. understanding how much you have left for family living and new investments;
- d. deciding how much credit to use;
- e. planning loan repayments.

In order for a cooperator to receive a complete and accurate financial summary, he must have a basic understanding of Telfarm's monthly input reporting forms which are form 2 and form 3. This in turn involves a discussion of the different classifications of receipt and expense transactions. For example, do you know the difference between a depreciable cow and a nondepreciable cow? A depreciable cow is unique from a nondepreciable cow in that she was purchased rather than raised on the operator's farm, and her cost is to be recovered in annual deductions from taxable income called depreciation. All transaction items can be categorized as operating, depreciable capital, or nondepreciable capital items. In Telfarm, transactions are to be reported on either form 2 or form 3, table 1. All operating and nondepreciable capital transactions are reported on form 2. Form 3, table 1 is reserved for depreciable capital transactions. Thus, the purchase and sale of purchased dairy cows (which are depreciable) are to be reported on form 3, table 1, and the sale of raised dairy stock (which are not depreciable) is to be reported on form 2.

Turn the page.

Forms 2 and 3 are used to report monthly transactions in the farm business, and are expected to arrive at the Telfarm center between the 5th and the 10th of each month. Any time a transaction occurs that adds or removes a capital investment item from your depreciation schedule, it must be reported on form 3, table 1. All other transactions are reported on form 2. A

Now let's see how sharp you are. If you purchased a dairy cow you would report the purchase on:

- 1) Form 2
- 2) Form 3 table 1

Let's see if you can continue your good work. The following outline summarizes how to describe livestock that is sold. Don't memorize it, but study it until you understand how to use it. B

- I. Sale of "raised dairy calves, heifers, steers, hogs, & poultry."
"Dairy heifer sold - raised."
"Hogs sold - raised."
"Hens sold - raised."
- II. Sale of raised cows, bulls, boars, ewes, & rams used for breeding.
"Dairy cow sold - raised."
"Ewes sold - raised."
"Sows sold - raised."
- III. Sale of purchased feeder cattle, hogs, & lambs fed out.
"Beef steers sold - resale."
"Hogs sold - resale."
"Lambs sold - resale."

Turn to 22-B.

- 1) Since you selected this response, you probably did not know that a purchased dairy cow can be depreciated, thus, should be reported on form 3, table 1. Don't feel bad that you made a wrong response because this is a frequent error of our Telfarm cooperators, and the purpose of this program is to reduce these errors. Return. A
- 2) You are right! A purchased dairy cow is to be reported on form 3, table 1 because it is a depreciable capital investment item. Other examples of capital investments that are to be reported on form 3, table 1 are livestock purchases for breeding and draft (except poultry), machinery and equipment purchases and major repairs, purchases and major repairs on buildings (except dwelling), fence, drains, water supply, and conservation structures. Continue.

IV. Sale of pullets, broilers, or cull hens that were purchased as chicks. B

"Cull hens sold - resale."

"Pullets sold - resale."

V. Purchase of animals for resale, including feeder cattle, feeder pigs, feeder lambs, chicks, & pullets.

"Steers purchased - resale."

"Pigs purchased - resale."

How well do you understand what you have read? If you sold some hogs that were originally purchased feeder pigs, you should describe the sale on form 2 as:

1) "Hogs sold."

2) "Hogs sold - resale."

Suppose you decide that you need a bigger tractor, so you trade your old tractor in on a new one. Since a transaction has occurred, you know that you have to report the trade on either form 2 or 3 when you make out your Telfarm reports for that month. Which form would you use?

A

- 1) Form 2
- 2) Form 3 table 1

-
- 1) Does this description tell you if the hogs were raised or purchased? B
Since it doesn't, it is an inadequate description. Return.
 - 2) Excellent. Your description indicates how the item is to be used, and also gives essential information on whether the livestock is raised or purchased. A complete description is important for reporting transactions on form 2. Continue.

- 1) Sorry, but you are not reading carefully enough. The instructions A
stated that depreciable capital investment items are to be
reported on form 3, table 1. Since a tractor is depreciable,
it should not be reported on form 2. Return.
- 2) Very good. You realized that a tractor is depreciable and followed
instructions by reporting the transaction on form 3, table 1. Now
that you understand that depreciable capital investment items are
to be reported on form 3, table 1, let's look at the other classi-
fication of farm business transactions which are operating expenses
and receipts. Continue.

Columns 7 and 8 are important in that you should report the quantity B
transacted of items sold and purchased. The following list will mention
a few of the important items that should have a quantity figure and the
unit it should be entered as.

<u>Item</u>	<u>Unit description</u>
Base milk	lbs
Excess milk	lbs
Eggs	doz
Crops	bu or lbs or ton
Hogs	head and lbs
Beef cattle	head and lbs
Sheep	head and lbs
Dairy	head
Feed	lbs
Fertilizer	lbs
Hired labor	hrs

Turn to 25-B.

Operating expenses are current expenses such as hired labor, feed purchases, seeds, plants, spray material, machine hire, supplies purchased, machinery repairs and maintenance, improvement repairs and maintenance, livestock expense, fertilizer and lime, gasoline, fuel and oil for farm use, taxes and insurance, electricity and phone, farm share of auto upkeep, and others. Operating expenses are reported on form 2 as are all cash farm receipts, except for receipts from the sale of depreciable capital investment items. A

To sum up this discussion, anytime you wish to remove an item from your depreciation schedule, either by sale, death, butchered, or destroyed, you will use form 3, table 1, and anytime you acquire an item to be depreciated, it must be reported on form 3, table 1. Form 2 is used for all cash farm expenses and receipts except those of depreciable capital investment items. If you sold a raised cow, you must report the sale on:

- 1) Form 2
- 2) Form 3 table 1

A good rule to follow is that any animal sold by the pound, such as beef, pork, or mutton, should have the number of pounds recorded along with the number of head. If you sold a group of dairy feeder steers, you would record which of the following: B

- 1) Number of head and lbs.
- 2) Number of head only.
- 3) Number of lbs only.

1) You are right! The sale of a raised cow is reported on form 2. A
Continue.

2) While it is true that the sale of purchased cows is reported on
form 3, table 1, the sale of a raised cow should not be. The
difference lies in the fact that purchased cows can be depreciated,
while raised cows cannot. Return.

1) Right you are! You must enter the number of head and lbs. for B
feeder cattle. The same goes for hogs and sheep. Continue.

2) By only recording the number of head, you are just partially right.
Feeder cattle that are sold on a pound basis must also have the
number of lbs. sold recorded. This will enable Telfarm to provide
input-output analysis on cattle. Return.

3) Are you sure you want to record only the number of lbs. for
quantity? What if I tell you that when you buy or sell any type
of livestock, you should record the number of head? Aha! Changed
your mind haven't you? At least I hope you have. Return.

Another example. Suppose you purchase several head of feeder cattle for your feedlot. Would you report the purchase on:

A

- 1) Form 2
 - 2) Form 3 table 1
-

Now that you understand how to record the quantity transacted, look at column 11 which codes the kind of transaction that occurs.

B

The codes that are used are:

- 1 - For a farm business transaction.
- 2 - For a family living transaction.
- 4 - For a nonfarm business transaction (such as rent income, repairs on house rented out, oil lease income, nonfarm dividend or interest, and income or wages from outside work).

Every item must have one of the above codes. The coding itself should not be difficult, but the main thing is the order in which the kind of transaction should be recorded. Do you think that (more, less) mistakes are made when farm business transactions are separated on the report from family living transactions and nonfarm business transactions?

- 1) More
 - 2) Less
-

- 1) Bravo for you. You knew that feeder cattle are not depreciable, thus, should be reported on form 2. A general rule to follow is that purchases of animals for resale, including feeder cattle, feeder pigs, feeder lambs, chicks and pullets are to be reported on form 2. Continue. A
- 2) No! Are these feeder cattle depreciable? Only items that are to be added or removed from your depreciation schedule should be reported on form 3, table 1. Return.
-

- 1) Wrong. I don't know what your reasoning was for selecting this response, but perhaps I can clear up your mistake by citing some actual cases where mix-ups occurred in coding the kind of transaction. Turn the page. B
- 2) Correct. If you originally said that the separation of the kind of transaction on the reporting forms led to less mistakes, let me congratulate you for being right. Examples on the next page will prove it. Continue.
-

Now you should have a working knowledge of which form to use when reporting farm business transactions. It is important that you use the right form in reporting transactions, and it is also important that you send the reports into the Telfarm center on time. You should mail your monthly reports so that they arrive at the Telfarm center at which time? A

- 1) Between the 5th and 10th of each month.
 - 2) Any time during the month.
-

A farmer decided to include a family living transaction in the middle of a group of farm business transactions, and subconsciously coded all his farm business transactions that followed as family living transactions. You can imagine the type of family living summary he may have received for that quarter. A similar mistake by another farmer resulted in the allocation of his daughter's wedding expenses to his dairy herd. The poor cows were blamed for the cost of a wedding that they didn't even take part in. As you can see from these examples, it is a good idea to separate the farm business in one group, family living in another, and nonfarm business in still another, to reduce subconscious mistakes. Continue. B

- 1) Everybody at the Telfarm center appreciates cooperators like you, as you make sure your reports are on time. We wish all cooperators would send in their reports between the 5th and 10th of each month. People who send in late reports must not realize that they require special, high cost processing. Continue.
- 2) While it is true that it is "better late than never," it is also true that "he who hesitates is lost." It might also be said that "he who hesitates adds to the cost." Your response will add to the cost, so before you become lost, turn back to page 29-A and select another response.

A

We now come to the columns for incoming and outgoing transactions (columns 12 through 15). The difference in these columns is simple. Incoming transactions are instances where you receive money, and outgoing transactions are where you pay money out.

B

Incoming transactions must be coded as follows:

- 1 - Current farm receipts
- 72 - Decrease in accounts receivable or other assets
- 81 - Amounts borrowed or charged
- 9 - Internal transaction

Anytime you receive payment for a product, service, or refund, it must be coded as a current farm receipt. Anytime someone makes a payment on an account that is owed to you, it will decrease your accounts receivable. Anytime you borrow money or increase your charge account, you must code 81 in column 12. Internal transactions are mostly used for enterprise reporting.

If Farmer Jones sells some hogs, he will code the money he receives from the sale as a current farm receipt. True or False?

1) True

2) False

[illegible]

Now let's turn our attention to the actual process of filling out a report. First we will look at form 2. Examine the sample on the opposite page. Note that the heading of the form calls for your name, address, farm number and month of the report. This information should be supplied on every page of every form. The pages on form 2 should be numbered consecutively throughout the year. For example, suppose you are working on your February form 2 and you know that you sent in three pages in your January form 2 report. The first page of your February report should be numbered:

1) 1

2) 4

-
- 1) Good for you. Your response was correct. Anytime that money is received by you from a sale, it should be coded as a current farm receipt on form 2. Continue.
- 2) Wrong! Isn't money being received from the sale of a product? Perhaps you need a break. Go out to the kitchen and pour yourself a cup of coffee. Then come back in and reread page 30-B.

- 1) This would be right if the instructions called for the pages to be numbered consecutively each month, but instead they stated that all pages are to be numbered consecutively throughout the year. Thus, the only page that would be numbered 1 would be the first page of the January report. Don't feel bad that you misunderstood this statement as this error appears frequently in the form 2 reports. Return. A
- 2) Good for you! The fact that you selected this response indicates that you are a careful reader. The instructions made it clear that the pages are to be numbered consecutively throughout the year. Continue.
-

Now suppose Farmer Smith owes Farmer Jones \$100 for custom baling, and that he also owes Farmer Pete \$150 for custom combining. Jones and Pete are Telfarm cooperators, and when Pete makes out his form 2 for that month he sets up the \$150 that Smith owes him as an account receivable. However, Jones decides not to enter the \$100 that Smith owes him. Later in the year, Smith pays both of them off. In making out his form 2 for the month that Smith paid him, Jones codes the \$100 that he received from Smith as a cash farm receipt. Pete, in his report, codes the \$150 from Smith as both a cash farm receipt and a decrease in accounts receivable; he would do this by entering 1/72 in column 12. Would you say that in making out their report: B

- 1) Jones was right and Pete was wrong.
- 2) Pete was right and Jones was wrong.
- 3) Neither were right.
- 4) Both were right.

Turn to 34-B.

Telfarm's financial summary of farm income and expenses is derived A
from information that is reported on form 2. To receive an accurate
financial summary, it is important to make correct use of the necessary
columns on form 2. For example, columns 2 and 3 are for the date; each
transaction item reported should be dated as to when the transaction
occurred. Column 4 is the item description column. It is necessary
to have a complete description of what the item is and what it is used
for when appropriate. Let's take an example. If you purchased supplies
for your milkhouse, you would describe the item on form 2 as:

- 1) Supplies
- 2) Supplies - Milkhouse

1) An item described as "Supplies" does not tell what the item is used for, thus, it would be impossible to code such as item. Return. A

2) Good! You are reading the material close enough to realize that general descriptions, such as "Supplies" or "Repairs," are not adequate unless you tell what they are used for. Continue.

1) Remember that Pete set up the money that Smith owed him as an account receivable, while Jones didn't. Thus, when Pete was paid, the money must be coded as both a cash farm receipt and a decrease in accounts receivable. Return. B

2) Jones had an option of whether to set up the money that Smith owed him as an account receivable or not. This option depends on which income tax system you are on, cash or accrual. Since Jones did not enter the amount owed him as an account receivable, then when paid he must code the money only as a cash farm receipt. Return.

3) Are you sure that you turned to the right response? You said that neither were right. You must have a reason, so let me ask you why? Should Jones have coded the \$100 that Smith paid him as a decrease in accounts receivable? No, because he decided not to set up the money originally as an account receivable. Should Pete have coded the \$150 that Smith paid him only as a cash farm receipt? No, he must use both codes because he did set up the money that Smith owed him as an account receivable. Return and select another response.

4) Roses are red, violets are blue,
Both were right, congratulations to you. Continue.

If you use a brand or trade name in a description, be sure to indicate its use. It is also appropriate for you to include remarks enclosed in parenthesis to aid in describing a transaction item. For example, you may describe your electric light bill for the farm as "Elec. bill (farm share)." Suppose you purchased 4 bushel of Speed Gro seed corn. How would you describe the item on form 2? A

- 1) Seed corn (Speed Gro)
 - 2) Speed Gro (4 bu)
-

Outgoing transactions must be coded as follows:

B

- 2 - Cash farm expense
- 9 - Internal transaction
- 71 - Increase in account receivable
- 82 - Debt principal payment

In our last example, Pete would have coded the money that Smith owed him as:

- 1) 2
- 2) 9
- 3) 71

- 1) Right! You have indicated in the description how the item is used, A
and have included the trade name in parenthesis as a reference.
You could have also rearranged the description as "Speed Gro (seed
corn)" and it would have been just as good. The important thing is
to describe the item well enough so that the processors at the
Telfarm center can apply the proper code numbers. Continue on 21-B.
- 2) Does this description tell you what the item is used for? It would
if the person who processes your report at the Telfarm center knows
exactly what "Speed Gro" is, but what if she has never heard of that
trade name? Also, the 4 bu. should be recorded in the quantity
columns, so there is no need of it in the descriptive column. You
can do better. Return.
-

- 1) No. Money that is owed to you should not be coded as an expense. B
Select another response.
- 2) Nine represents an outgoing internal transaction in this column,
and it would not apply to this example. We will deal more ex-
plicitly with internal transactions when we come to enterprise
accounts. Return.
- 3) Jawohl (That's the German word for yes.) You are doing a good
job. Remember that Pete had an option in that he didn't
necessarily have to set up the money that Smith owed him as an
account receivable, but since he did, he must use code 71 in
column 14. Continue on the next page.

To summarize the discussion on incoming-outgoing transactions, you B
should have no trouble allocating items as receipts or expenses.

Account receivable is a value for owned assets, such as stocks, bonds, time and demand deposits, or money that is owed to you. Internal transactions involve the exchange of money between partners and a partnership account, and various enterprise uses, such as crediting a home grown crop fed to livestock. Codes 81 and 82 will be discussed under information for a credit summary.

Finally, we will have to assign an owner code to each item, and this code is recorded in column 16. An owner code signifies to whom in the farm business the transaction should be charged to. The codes for each type of owner are as follows:

- 10 - Partnership or corporation
- 11 - Operator or first partner
- 12 - Second partner
- 21 - First landlord
- 22 - Second landlord

Continue on the next page for information on labor summaries.

Hired Labor Information

As it is necessary for a farmer to comply with Social Security regulations on hired labor, Telfarm provides a hired labor summary. This summary provides the following information:

- a. The quantity and cost of your hired labor.
- b. The amount withheld for Social Security.
- c. The total Social Security that you owe and the amount deposited.
- d. If you wish, the amount of hired labor for individual enterprises.

Hired labor transactions are reported on form 2. The first thing to do in reporting information for a hired labor summary is to assign each worker a code number on page 10, table 1 in your Telfarm book. You must be consistent in using the assigned code number only for the worker that you originally assigned it to. As wages are recorded, you will write the worker's code number in column 5. Other columns that you should use are as follows:

- a. worker's name in column 6
- b. number of hours in column 8
- c. kind of transaction (usually 1) in column 11
- d. type of outgoing transaction in column 14 (code 2 for the actual wage, and 9 for Social Security withheld)
- e. dollar amount in column 15
- f. owner number in column 16

All labor information will be updated each quarter by the computer for you; it will be unnecessary for you to re-enter labor information that has been previously reported.

Turn the page.

Let's sit in on a discussion that Farmer Jones and Farmer Pete are having on labor summaries. The discussion is going something like this:

Farmer Jones: "Do you receive a labor summary from Telfarm, Pete?"

Farmer Pete: "Yes I do, Jonesy. It really aids in keeping track of the cost of my hired labor and the Social Security that I owe."

Farmer Jones: "Do you hire much labor?"

Farmer Pete: "Yeah, I guess so. Niles Slegehammer worked for me last spring and Jed Stonepicker is helping me this summer. I'll probably have to hire both of them during corn harvesting in the fall."

Farmer Jones: "Do you find much difficulty in reporting labor information?"

Farmer Pete: "Not at all. The main thing is to record the labor code each time you make a wage payment. I even eliminated some confusion by assigning Nile's old code number to Jed for this summer. I figure I can change it around when I hire both of them this fall."

Farmer Jones: "It seems to me like you would be creating confusion because you are assigning one code to two workers!"

Farmer Pete: "I don't think so. Remember that I am only hiring one of them now, so what difference does it make? When I hire Niles again in the fall, I will give him a new number. As long as I record their names in column 6, my summary should be accurate regardless of the code number."

What do you think?

- 1) Pete is right - page 40-A
- 2) Pete is wrong - page 40-A

- 1) Pete is as right as there is light at night. In other words, you're A
in the dark, so reread the reporting instructions on page 38.
- 2) Pete was wrong, so you are right. It is important that he be con-
sistent in using a code number only for the worker that he origin-
ally assigned it to that year. Even though he wrote their names in
column 6, the fact that he switched workers on a code number will
give him an inaccurate report unless the mistake is discovered.
The code number is more important than the name. Continue on
page 41-A.
-

Pick out the wrong statement(s), if any, in the group below. B

- 1) Wage payments are coded as a farm expense.
- 2) Social Security withheld is coded as a farm expense.
- 3) Social Security withheld is coded as an outgoing internal
transaction.
- 4) Social Security deposits are coded as a farm expense.

[illegible]

Another item that must be reported for labor is the amount of Social Security withheld. Workers that are covered by the Social Security law are those to whom the employer pays \$150 or more in cash wages, or those who have worked 20 days or more during the year. To report Social Security withheld, use a separate line (usually the line directly under the one you used to record the wage payment), and enter the worker's code in column 5. In column 14, use code 9 instead of 2 because the Social Security withheld is an internal transaction since you haven't paid it yet. All other columns are used in the same manner as in reporting wage payments. The correct procedure for reporting Social Security is shown in the sample form on the opposite page. A

Do you understand the rule on making Social Security deposits, such as "when" and "where" you make the deposit?

- 1) No - page 42-A
- 2) Yes - page 40-B

There was only one incorrect statement listed in the group. Did you find it? It was 2) as Social Security withheld should not be coded as a farm expense because it has not been paid yet. It should be coded as an outgoing internal transaction; however, when you do make a Social Security deposit, you should code it as an expense. B

This completes our discussion on labor. Information for a credit analysis report will follow. Turn to page 43.

In any month in which the accumulated Social Security tax due (employee's share plus the employer's share) exceeds \$100, the employer is expected to deposit the tax due with an authorized commercial bank by the 15th of the following month and obtain a Federal Depositary receipt.

A

When you make a Social Security tax deposit, you should record the deposit on form 2, coding it as a current farm expense. Continue on page 40-B.

Credit Information

The Telfarm credit analysis provides quarterly summaries of loans and loan payments. It is designed to help you in the following:

- a. managing your farm business
- b. appraising your ability to take on new debts
- c. checking the accuracy of charge accounts and credit statements
- d. evaluating the cost of credit.

Records of accounts receivable and other assets should be used by cooperators who are keeping credit records.

If you have not previously kept records with Telfarm, you must:

- a. Assign a credit code number to each creditor in table 2, page 10 of your Telfarm book.
- b. Show the amounts owed at the beginning of the year (see the examples on the opposite page).

If you kept credit records with Telfarm during the year and want to continue the records for the new year, you will not have to enter the balances for January 1, as these will be brought forward for you. Also, each quarterly report will bring all previous credit information forward in order to give you a complete up-to-date credit analysis. For this reason, it is not necessary for you to update your own credit account. You should only report debt payments and new amounts borrowed for that month.

Which of the following statements is incorrect?

- 1) Cooperators starting credit records must record amounts owed at the beginning of the year. Page 44-A.
- 2) Cooperators who continue credit records from year to year will have their balances automatically brought forward. Page 44-A.
- 3) Each quarterly report is updated by the computer. Page 44-A.

All are correct. If you thought one of the statements was wrong, A
go back to page 43 and see if you can clear up the misconception.
Also, be on the alert for any type of question. As they often say,
"All is fair in love, war, and Telfarm." Continue.

O.K. Suppose you have opened a charge account at your local B
elevator. You have assigned the elevator a creditor code number on
table 2, page 10 of your Telfarm book, and every time you charge an
item there you record the code in column 5 on form 2. You double
enter the item by coding, on the same line, 81 in column 12 and 2 in
column 14 (see the example on the opposite page). By double entering
the item, you not only have entered it as a charge account, but also
are showing that it is a farm expense that is deductible on your
Schedule F Federal income tax report. Suppose that by the end of the
month you have opened a charge account on several items at the elevator.
At that time you decide to make a payment to the elevator to cover the
items you have charged there. How should you code your payment?

- 1) An expense
- 2) An increase in accounts receivable
- 3) A debt principal payment

[illegible]

Examine the sample on the opposite page. Note that debt payments are recorded on form 2 with interest coded as a farm expense and principal as a payment on debt. Also notice that the creditor code number is recorded in column 5, dollar amount in column 15, and owner number in column 16. A

The fact that a loan payment should be divided, with principal payment on one line and interest payment on another, is highly important. What do you think the reason for this is?

- 1) Telfarm wants to confuse you.
- 2) Federal income tax calculations allow interest on farm notes as a deductible farm business expense.

-
- 1) No. You have already coded the item charged as an expense when you double enter it at an earlier date. Besides, payment on account cannot be coded as an expense because the payment may represent several types of expense items; thus, it would be impossible to classify it to a particular item code. Return. B
 - 2) Whoa! The elevator doesn't owe you money, so you shouldn't even consider the account receivable category. Don't get discouraged, but try, try again. Return to select another response.
 - 3) Correct. We admire you. Payments on accounts should be coded as debt principal payments when they have previously been double entered as a charge and as an expense. If you still do not understand the point being made, turn back to page 47-A and read the instructions over again. Otherwise, continue.

[illegible]

- 1) Telfarm may confuse you, but that isn't the answer to this question. A
Return.
- 2) Excellent. We realize that the decision was difficult, but this
response is the correct one. Federal income tax calculations
allow you to deduct cash expenses from your cash receipts; thus,
if you code interest payments as a cash expense, your total
deductions will be greater. Continue.
-

There are two or three additional comments on credit records that B
should be made before we leave the subject. First, it is always bene-
ficial for you to do a complete job of describing the transaction in
column 4 and 6. If you have made a mistake in coding, it may be dis-
covered at the Telfarm center if you did a good job of describing the
transaction. Second, records of accounts receivable and other assets
should be kept by cooperators who are keeping credit records. Look at
the sample form on the opposite page and note that it concerns the
following processes:

- a. Each account receivable and other asset should be assigned a
code number on table 3, page 10 in your Telfarm book.
 - b. If you have never kept account receivable records with Telfarm
before, the amount of each account should be entered on form 2.
 - c. As assets are liquidated, enter the account number in column 5,
code 72 in column 12, and the incoming dollar amount in column
13.
 - d. When new accounts receivable are acquired, enter the account
number in column 5, code 71 in column 14, and the dollar
amount in column 15.
-

TELFARM		Form 2 Monthly Report Of Income & Outgo		John J. Farmer		Anytown, Mich		Any		21-084-0297				
				Name		Address		State		Month				
Date	Item description	To whom & from whom	Quantity	Kind	Incoming	Outgoing	Owner	Page						
Line			# of head	Amount in lbs, ton, bu, gal, etc	Lea	Kind	Incoming	Outgoing	Owner	Item Code				
1	10 Feed supp. - Dairy (charged)	73 Coop Feedst Supply	4000 lbs	1	81	180.00	2	180.00	11	15	16	17	18	19
2	125 Tractor purch - On time	75 McBlow Imp		1	81	4000.00								
3	126 Paul on account	73 Coop Feedst Supply		1				82	300.00	11				
4	128 Paul on tractor - principal	75 McBlow Imp		1				82	895.00	11				
5	128 Paul on tractor - interest	75 McBlow Imp		1				2	280.00	11				

The creditor code number is very important and each creditor should be assigned a code number in table 2, page 10 of your Telfarm book. If you borrow money during the year, you will record the assigned creditor code number into column 5 of your form 2 report. The creditor code number is also used for accounts receivable and charge accounts. A

Perhaps you are wondering about charge accounts. In reporting an item that has been charged, you must take into consideration whether the item is a farm operating expense or a depreciable capital investment. For a farm operating expense you should:

- a. Code 81 in column 12 since an item has been charged.
- b. Record the dollar amount in both columns 13 and 15.
- c. Code 2 in column 14 since the item is a farm operating expense.

For a depreciable capital investment expense you should:

- a. Code 81 in column 12.
- b. Record the dollar amount in column 13. (You will not use columns 14 and 15 because the cost is recovered through depreciation as opposed to an annual expense. The purchase should also be reported on form 3, table 1 in order for it to be added to the depreciation schedule.)

When a payment is made on a charge account for a farm operating expense item, or for a depreciable capital investment item, you should code it on your form 2 report as a debt principal payment (code 82 in column 14). See the example on the opposite page. Continue on page 44-B.

This completes the discussion on credit records. Turn to page 48 for instruction on reporting information for a family living summary. B

Family Living Information

Telfarm provides a quarterly and annual family living summary which is useful for household decisions and tax deductions. Specifically, Telfarm's family living summary provides the following information:

- a. Guides you in deciding how much income to use for family living expenses (especially on nonessential family living items).
- b. Provides a record of deductible family living expenses for income tax management.
- c. Helps appraise your ability to pay debts or assume new capital investments.

If you read the first part of the program, you will know that farm business items and family living items are not to be reported on the same form 2 sheet. This will tend to eliminate subconscious mistakes of coding farm business items as family living items, and vice versa. How would you report items like electricity and telephone service which are divided between farm business and family living?

- 1) In cases like this, it would be acceptable to report the items on one sheet. Page 49-A.
- 2) The rule would still apply; the farm share must go on a separate sheet from the family living sheet. Page 49-A.

- 1) Sorry, but even though items can be divided between farm business and family living, we ask that you report each on a separate sheet. It actually isn't any more work for you to separate these items, and the mistakes in coding will be greatly reduced. Continue. A
- 2) Very good. This rule will hold in all cases in order to reduce coding mistakes as much as possible. Continue.
-

One more example. Jones has a hired man, unmarried, that rooms with the Jones' household. Jones deducts \$25 per week from his wages for room and board. Is he a family member or nonmember? B

- 1) Family member
- 2) Nonmember
-

For expense items which are divided between farm business and family living, such as electricity, telephone, insurance, taxes, and rent paid for your home, you should decide what share of the total bill for each of these items should be charged to the farm, and what share to the home. For electricity, you may decide that 75% of the total monthly bill can be allocated as a farm expense, and 25% as a family living expense. Perhaps some other split may be more suitable for the phone bill, such as 50-50. For homeowner's or fire or wind insurance, you should consult your insurance policy to find the percentage coverage on your home. How would you do this?

A

- 1) Add together the amounts of coverage on your home and divide by the total coverage of the policy.
 - 2) Call your insurance agent.
-

- 1) Good try, but you're not quite right. The rule states that the person must pool their entire income with the family. Does the hired man, in this case, pool his entire income? Return.
- 2) Very good. A person doesn't have to be related to be classified as a family member, but he must meet all of the qualifications. In our example, the hired man is not qualified as a family member because he does not pool his entire income with the family. If you have been having trouble deciding which of the people in our examples are family members and which are not, you should review page 54-A before you continue on.

B

- 1) Correct. On most insurance policies the coverage is usually itemized. If you divide the coverage on your home by the total coverage of the policy, you will have the percentage of the total premium which should be shown as a family living cost. Continue. A
- 2) Aw, come on now. The arithmetic isn't that difficult. However, if your policy doesn't have the coverage itemized, you should consult your insurance agent to find out this information. Before you continue, read response 1) above.
-

As you know, some family expense items are deductible and others are nondeductible. Deductible items include medicine and drugs, contributions, interest payments, and taxes although there are qualifying statements to make on each one. For example, you can deduct amounts paid for the prevention, cure, corrections, or treatment of a physical or mental defect or illness. This will include premiums on hospital or medical insurance but not premiums on life insurance. It also includes expenses for physicians, dentists, and nurses. Do you think that all items bought at a drugstore are deductible? B

1) Yes

2) No

Transportation expenses can also be divided as farm business and family living. You should decide what percentage of the total mileage is driven for family purposes only and then take this times the total cost of auto insurance, license, repairs, auto gasoline, and any car purchased for both farm and family use. For example, if you figure that 50% of the car is for farm use and 50% for family use, you would multiply .5 times each car expense in order to find the family living share. Probably the most difficult part though is finding the percentage use of the car for family living, and that is why we ask you to consider mileage for family purposes only. In this case, how should you handle automobile expenses for trips that combine farm and family business? A

- 1) The trip should be charged only as farm business.
- 2) The trip should be charged only as family living.
- 3) The trip should be divided between farm business and family living.

-
- 1) Wrong. What about tobacco or personal supplies that do not qualify under drugs and medicine? These items should be separated as they are nondeductible. Continue. B
 - 2) Good. You know that a drugstore sells many items that are non-deductible, but that deductible items include drugs and medicine that you purchase for your health. Continue.
-

- 1) You are right. Trips that combine farm and family business can be charged totally as farm business expense. Continue. A
- 2) No. Family living expense should be expense trips for family purposes only. Return.
- 3) You gave it a good try, but you are not quite right. You can only allocate auto trip expenses for family living when the trip is entirely for family living purposes. Thus, you shouldn't have to divide the expense for trips that combine farm and family business. Return.
-

When you purchase an item as a means of donating to an organization, B only part of the cost is a deductible contribution. For example, if you paid a Girl Scout 75 cents for one dozen peanut butter cookies, and the cookies would only cost you 50 cents if you bought them elsewhere, you can only report the extra 25 cents as a contribution to the organization. You should be sure to inform Telfarm to whom your contributions are made so that they can do a better job of grouping the deductible items with the other income tax information.

Below is a short exercise on the eligibility of items as a deductible gift. Mark "d" in front of the items you think are deductible and "n" in front of those that are nondeductible. The answers are on page 54-B.

- | | |
|--|--|
| <input type="checkbox"/> Churches | <input type="checkbox"/> Social clubs |
| <input type="checkbox"/> Red Cross | <input type="checkbox"/> Propaganda organizations |
| <input type="checkbox"/> Political organizations | <input type="checkbox"/> Boy Scouts |
| <input type="checkbox"/> Relatives | <input type="checkbox"/> Nonprofit schools & hospitals |
| <input type="checkbox"/> Community Chest | <input type="checkbox"/> Labor unions |
-

It is important for coding certain items if we know if the expenses A
are for family members or for nonmembers. Family members include the
farm operator, his wife, his unmarried children who live at home (or
are away at school), foster children and wards of the court, and other
relatives or nonrelated people who (a) usually live in the farm operator's
household and (b) pool their entire income with his and (c) receive at
least their room and board from this pooled income.

Nonmembers include persons living in the operator's household who
do not pool their income and expenditures with his, and all persons
living outside his household (even if they are related and he helps
support them).

Let's look for a moment at Farmer Jones's family. Joe, his oldest
son, is a college student at the state university. He doesn't live at
home while in school, so how would he be classified?

- 1) A family member
- 2) A nonfamily member
- 3) Need more information

-
- | | | |
|-----------------------------|-----------------------------------|---|
| (d) Churches | (n) Social clubs | B |
| (d) Red Cross | (n) Propaganda organizations | |
| (n) Political organizations | (d) Boy Scouts | |
| (n) Relatives | (d) Nonprofit schools & hospitals | |
| (d) Community Chest | (n) Labor unions | |

You really weren't expected to answer all of the items correctly,
but the purpose was to expose you to some of the gifts that are deduc-
tible and some that are nondeductible. If you did well, congratulate
yourself; if you didn't, better luck next time. Continue.

- 1) Are you sure that he is to be considered a family member? What if A
he is married? Your answer would be correct if Joe is unmarried and
still considers his father's house as his permanent home, but would
not be true if he is married and has established a permanent residence
elsewhere. Continue.
- 2) Just because Joe is away from home at school doesn't necessarily mean
that he should be considered a nonmember. If he is married and has
established a permanent address at the university, then he is a non-
member. However, if he is unmarried and lives at home when he is not
at school, then he is a family member. You must have this information
before you classify him either way. Continue.
- 3) Correct. You must know if he is married or not or if he still con-
siders the farm as his permanent home. Continue.
-

The interest charges on installment purchases are deductible, but B
carrying charges are not. Any time you purchase an item on time, such as
an automobile, television set, or other personal property, you should re-
port the interest separate so that it can be coded as a deductible expense.

State sales tax is also deductible, but it would be quite a job for
you to report the sales tax separate on every single item that you purchased.
Thus, Telfarm asks that you only report sales tax on automobiles, and that
for every other article, you include the tax as part of the total cost of
the item purchased. Tables in the income tax instructions will show the
other sales tax deductions allowable for your income bracket. Suppose you
purchase \$10 worth of groceries and the sales tax brings the total to \$10.40.
In light of the discussion above, should you report the purchase on form 2 as:

- 1) \$10 on one line and 40 cents of sales tax on another
- 2) \$10.40 on one line (the sales tax is included with the purchase
price)

Unfortunately for Farmer Jones, his mother-in-law, who is retired, A
has recently moved into his household. She receives a monthly Social
Security check, of which she offers to share some of the household
expenditures. But Jones, being a good hearted man, turns down her
offer saying that he will give her free room and board and that she
should use her money for other purposes, such as Christmas gifts. How
should the mother-in-law be classified?

- 1) A family member
 - 2) A nonmember
-

- 1) Wrong. Don't you remember that you should only separate sales tax B
from the purchase price when you acquire a new automobile? All
other items reported should have the sales tax included with the
total cost on your form 2 report. Perhaps you should reread page
55-B before you continue.
 - 2) Good for you. All items, except automobile purchases, should be
reported with the sales tax included in the total cost. Continue.
-

- 1) No. The rule states that the person must pool their income with the household and receive at least their room and board from this pooled income in order to be considered a family member. Jones loves his mother-in-law, but in this case, she is still a non-member. Continue on page 49-B. A
- 2) Very good. She is a nonmember because she does not pool her income with Jones to share in the household expenditures. Continue on page 49-B.
-

We will not change our discussion from deductible expenses to nondeductible expenses. Examples of nondeductible expenses are food, clothing, housing, and education; others are transportation and gifts, of which we have already discussed. You will have a more accurate picture of food cost if you do not report together the cost of food and nonfood items purchased in the grocery. What do you think would be the best way to handle this type of situation? B

- 1) Circle the cost of nonfood items as you unpack the groceries, add together the circled amounts, and subtract from the total grocery bill to get the total food cost.
- 2) Ask the checker in the grocery to ring up the nonfood items separately.
- 3) Some other way.

Excellent! Whichever response you selected is the best for you to use. The first two are the ones recommended by Telfarm, but if you know of a third and better method, then you should feel free to use it. However, don't forget that you should record the total food cost on your form 2 report for that month, and also report the nonfood items. On the nonfood items, be sure to tell the cost of each item or group of similar items. For your information, candy, snacks, and all beverages are classed as food. B

There are a few rules on nondeductible expenses that you should be aware of. They are as follows:

- a. Separate clothing purchases for family members from nonmembers.
- b. Be sure and code "2" in column 11 for expenses on your own home and "4" for expenses on investment property you hold for rental.
- c. For school expenses, record tuition and fees on one line and board and room on another. If possible, you should even separate board from room.
- d. Report any income tax withheld, paid, or rebated.

Before we close our discussion on family living, there is one important point that should be brought to your attention. Do not show any income as "2" in column 11. All income is classed as either "1" (farm) or "4" (nonfarm). A "2" is only for family living expenses. If the wife has a job outside the farm, her income should be entered as a "4", and she should be credited on form 2 as the one who received that income.

Telfarm will provide you with a check-list to make sure you have made all entries for each kind of item. You should compare your family living form 2 with the check-list before you send it in each month. Do not send in the check-list as you will need it each month. Good luck!

Information for enterprise reporting will follow on page 59.

Enterprise Reports

A brief description of each of the five types of enterprise reports that Telfarm provides you will be presented on the following pages. Emphasis will be on the type of information contained in each report, as well as additional comments on what you should know to receive a report.

Dairy Enterprise Report

A summary of specific income and expense data for dairy is available in this report, along with certain production factors to aid your decision making. The production factors include pounds of grain fed, tons of forage fed, total feed cost, net income, and others. The computer will categorize each of these factors according to "per cwt. milk" and "per head" in order to broaden the analysis of the enterprise. Of course, the information that is provided in the report will be a reflection of how much time and energy you spend in reporting information on your monthly form 2.

You are expected to choose the enterprise summary that you want-- either 5100 or 5110. 5100 is the code for the entire dairy enterprise and 5110 represents the code for strictly dairy cows. As stated earlier, dairy reports 5100 and 5110 terminate at the end of the year unless you carry over the information on your January form 2 in the new year. Most people feel that a calendar year analysis of the dairy business is as meaningful as any other period of time, so there is usually little need to carry forward totals into a new year.

Poultry Laying Flock Report

Key production factors such as feed costs, egg income, gains over cost, and others are summarized in this report in order to aid your decision making. Income and costs are represented for you in three different ways: individual items and total quantity, income and expenses per dozen eggs, and income and expenses per layer housed. This should enable you to have a more complete analysis of your laying flock enterprise. You may also compare your results with standards that Agricultural Economic Extension Specialists have provided in order to determine the relative strong and weak points of your flock as compared to others in the industry.

This report will only summarize information on laying hens, and will not include other enterprises in the poultry industry, such as chicks or broilers. Thus, you must use enterprise code 5510 on all income and expense transactions that are allocated to the laying flock.

There are a few important points that you should know for reporting information for a poultry laying flock report.

- a. It is very important to record the day the layers are housed and the total number housed. Most of the production factors summarized by the computer are keyed to this information.
- b. Mortality figures should be recorded on form 3, table 2.
- c. It is important to describe the transaction items completely, especially for the sale of eggs with respect to their size.

General Purpose Livestock & Poultry Report

This report will summarize information for all livestock except dairy enterprises 5100 and 5110 and poultry laying flock enterprise 5510. Thus, it will include such livestock enterprises as beef, hogs, sheep, & broilers.

If you are interested in an income-expense breakdown of your livestock transactions, then you should make the extra effort of recording the pertinent enterprise codes in column 17. The information will be summarized by the computer to give you an analysis breakdown on both a dollar per cwt. and dollar per head basis. Livestock production factors, such as total income, total feed cost, return above costs, etc., will be beneficial to you in giving a complete evaluation of the enterprise.

Important points to keep in mind for this report are:

- a. Be sure to record number of head and amount in lbs. on all sales and purchases of livestock.
- b. On hogs, you have a choice as to which enterprise code you may use. For a single enterprise code you may use 5300, or you may divide your hogs into two enterprises with 5370 for raising pigs and 5390 for finishing pigs after weaning. Caution: All enterprise records under enterprise code 5300 will automatically terminate at the end of the year. The reason for this is that you will be able to analyze the enterprise over the year in order to aid in decisions for the coming year. If you desire to continue your 5300 enterprise report in the new year, you must carry over the relevant information from last year as explained on page 73-B. All other codes under the hog enterprise, such as 5370 and 5390 will automatically carry over in the new year.

General Report for Field Crops, Fruit, Vegetables,
Flowers, Nursery Stock, and Forest Products

A summary breakdown of income and expense items is available for each of the above enterprises, and a return above costs is calculated to give you the profits that were made. The factors are presented on a "per harvested unit" basis and a "per acre" basis in order to give a more complete evaluation.

This report will continue from one year to the next as long as you continue to record the proper enterprise codes and lot numbers.

Machinery Report

The machinery report emphasizes the variable cost structure of machinery in order to give you an idea of what you are spending. The expense factors are presented into such units as net cost per hour and net cost per acre. Income factors are also available for custom work and other sources on income.

You may be interested in a machinery report if you desire a closer analysis of crop cost, since a major share of the cost can be allocated to machinery. For an accurate machinery report, it will be necessary to report such expense items as repairs, fuel, oil, grease, insurance, and supplies.

Many decisions require that you know costs and returns for individual parts of the business. Telfarm currently provides you with a choice of five different types of enterprise reports that take you from the "whole farm" to "parts of the business." You may want to use enterprise records if you are confronted with the following questions:

- 1) Should I expand, reduce, or eliminate an enterprise?
- 2) What changes in practices offer the best chances to make an enterprise more profitable?
- 3) If expansion is needed, enterprise records suggest how long it will take for the investment to pay off. This involves allowing a certain percentage of returns above out-of-the-pocket costs to pay for the new buildings or equipment.

Although Telfarm provides a farm business analysis summary that will evaluate the entire farm organization, enterprise analysis will be advantageous to you if you want to evaluate individual parts of the business in order to answer the critical questions above. Another advantage is that the farm business analysis report is an annual summary, whereas the enterprise report is a quarterly summary. Thus, you have a more frequent, up-to-date evaluation with an enterprise summary.

Turn to page 64-A.

Before the details of reporting information for an enterprise summary are discussed, there are a few general concepts that should be made clear to you. For instance, you should know that every specific crop and livestock title has a unique enterprise code. The listing of many of these titles and their respective codes may be found on page 10, tables 4 and 5 in your Telfarm book. The purpose of the code is to inform the computer that you want to keep an enterprise record for that item. You should record the code in column 17 on all of the form 2 transactions that can be allocated toward that particular enterprise. Thus, if Farmer Jones says, "To start an enterprise record you must use the proper enterprise code in column 17," is he right or wrong?

A

- 1) Right
- 2) Wrong

-
- 1) In other words, you are coding his total wages as an internal transaction, and his dairy labor as a cash expense. Wrong!
You should know better. Go back to page 74-A.
 - 2) Very good. You are an alert reader, as this question is over a basic, fundamental concept that will separate the men from the boys. Welcome aboard men. Continue on.
 - 3) Sorry, but you should have taken a chance on one of the above responses. If you are completely lost, go back to page 74-A, and read the material over again.
- B

[illegible]

- 1) Good. Jones knows what he is talking about. It is important that A
you know what an enterprise code is and what it is used for. You
also should know when to use an enterprise code and when not to use
one. Continue.
- 2) Sorry, but you are wrong. What role does an enterprise code have?
Doesn't it serve to identify the transactions for a particular
enterprise? Return to page 64-A and reread the discussion material.
-

A fourth use of internal transaction would be to transfer a group B
of livestock from one code to another, or from one lot number to another.
An example of when you might do this is when you are recording the cost
of raising pigs to weaning, and these pigs are ones you are going to feed
out rather than sell. There is an example of this on the opposite page.
Note that you would use a 9 in column 12 to sell the pigs under enter-
prise code 5370, and would buy them under enterprise code 5390 by coding
9 in column 14. The number of head and amount in pounds must be recorded
in columns 7 and 8 respectively as if actual buying and selling was
occurring. Similar examples would be for dairy calves transferred to the
heifer lot, heifers transferred to the cow herd, or calves weaned to the
feed lot for feeding out.

With which of the following would you agree? If one little pig went
to the market, and one stayed home to be fed out under another enterprise
code number (and not on roast beef),

- 1) both would be coded the same on form 2.
2) they would be coded differently.
-

You should place an enterprise code and lot number in columns 17 and 18 respectively of the transaction items that are to be allocated to the enterprise that you desire records on. Typical expenses for live-stock are feed costs, breeding fees, veterinary bills, drugs, supplies, etc., and income may include milk sales for dairy, egg sales for laying hens, and sale of animals. Crop costs may include fertilizer, seed, weed spray, and harvesting. An enterprise code in column 17 of these transaction items will tell the computer that these items should be included in an enterprise report. What then is the purpose of lot numbers?

- 1) To separate groups from different enterprises, such as dairy from hogs.
- 2) To separate groups within an enterprise, such as two groups of feeder steers.

-
- 1) Close, but not 100% right. Wouldn't one be an internal transaction, whereas the other a cash receipt? Return.
 - 2) Excellent. The difference lies in column 12. The pig that went to market would be coded as a cash receipt in column 12 and the one that stayed home, but transferred to another enterprise code number, would be an internal transaction. Continue.

- 1) No. Won't the enterprise code serve this purpose? If so, the lot number must have another purpose. Return. A
- 2) Good. You may use lot numbers to differentiate among separate groups under the same enterprise number. An illustrative example will follow. Continue.
-

A fifth use of enterprise records is to report depreciation and other noncash fixed cost items. You will have a more complete report if you enter these costs as well as out-of-pocket costs that are involved with the enterprise. For example, if you were keeping a machinery enterprise record on your tractor, and it depreciates \$450 a year, you must enter this noncash cost as an internal transaction. (Code 9 in column 14.) B

This concludes our discussion on internal transactions, but one more basic question will be asked. What is an internal transaction? (Define in your own words and then turn the page.)

Suppose you are in Lansing and you want to call a friend of yours A
named Smith. You look in the telephone directory for his number only
to find that there are 540 people named Smith listed. All is not lost
as you know that his first name is Wendell, but there are 5 Wendell Smiths
listed. Fortunately, your wife is along and she tells you that his
middle initial is P. Lo and behold, there is only one Wendell P. Smith,
so you are all set. A lot number has the same use as a middle initial;
it serves to separate out items that have the same enterprise code just
like the middle initial separates out Wendell P. Smith in Lansing.

Lot numbers range from 1 to 99 and you can use any number you wish.
You may have a particular scheme for selecting lot numbers. For example,
you may want to use lot numbers that correspond to the year. For corn,
you would use lot 67 to describe the '67 crop. A poultry farmer who
puts in three flocks each year may use lots 71, 72, and 73 to separate
the flocks; the 7 indicates the year '67, and 1, 2, and 3 are for flocks
1, 2, and 3. How might this poultry farmer code an expense item for
his third flock with respect to columns 17 and 18?

- 1) 5510 enterprise code in column 17, 73 lot number in column 18.
- 2) 0 enterprise code in column 17, 73 lot number in column 18.

Did you come up with a good definition? If it was something like B
the following, it is acceptable. "An internal transaction is an ex-
change of an item, usually noncash, that occurs entirely within the farm
organization." Whether you defined it well or not isn't as important as
to know when and how to use it. Continue on.

- 1) Correct. You should remember to record the enterprise code first, and then the lot number if one is needed. You may be able to get along without a lot number, but you must always have an enterprise code number. Continue. A
- 2) What about the enterprise code? Wouldn't that be like not knowing Smith's first name in our Lansing telephone story? Perhaps you had better return.
-

When you decide which livestock, crop, or machinery title that you want enterprise records on, you should select the appropriate enterprise codes and lot numbers to begin the record and stick with them until the record is complete. A common mistake by cooperators keeping enterprise records is to forget which enterprise and lot numbers were used on a previous report. For example, a cooperator may have been using enterprise code 4200, lot 66 for a drove of feeder steers at the start of his enterprise record, and then uses another steer enterprise code, or lot number, for the current month. B

What do you think that this will do to his report?

- 1) Nothing serious, as the computer will automatically correct the error.
- 2) Nothing will happen if he uses a different lot number as long as he uses the same enterprise code.
- 3) In either case, a new enterprise record will be started.

[illegible]

Enterprise records often require that you use an internal transaction A in order to complete the report. Internal transactions are the income and expenses that occur entirely within the farm and are not accounted as income tax items. The opportunity to use an internal transaction is helpful in enterprise reports in several ways. You should use an internal transaction to credit a home grown crop fed to livestock. If you are keeping both crop and livestock enterprise records, you may want to make two entries: one entry to credit the crop enterprise the value of the crop which was fed instead of sold, and a second entry to charge the livestock the same amount for the crop fed to them. The example on the opposite page represents the correct procedure. Why wouldn't you enter a home grown crop that is fed to livestock as a cash expense (2 in column 14) for the livestock?

- 1) Because actual cash isn't being spent.
- 2) Because the entire transaction is occurring within the farm organization.
- 3) Because the transaction should not be accounted on Schedule F of the Federal income tax report.

-
- 1) Sorry, but the computer will only do what it is told to do. An B enterprise code in column 17 will tell the computer that you want an enterprise report. Lot numbers inform the computer which groups within that code that you want a report on. Continue.
 - 2) Are you sure? If he changes lot numbers, wouldn't he receive a new report for that lot number? What would happen to all that information he reported under the old lot number? Return.
 - 3) Correct. A new enterprise code and/or lot number will start an enterprise record for that quarter. Continue.
-

All are correct reasons for using an internal transaction code instead of a cash expense code. The same reasoning would hold in the case of crediting the crop enterprise the value of the crop that was fed--you would use an internal transaction code instead of a cash receipt code in this case. Continue. A

Here are some examples of how you may start a new enterprise report. Suppose that you are currently keeping dairy enterprise records as 5100, lot 1. Then you purchase some feeder pigs and decide that you also want enterprise records on them. To start an enterprise record on feeder pigs, you may code 5370, lot 66 for all relevant transactions. (Lot 66 would indicate the year '66.) B

Another example would be starting a new enterprise report by changing lot numbers. One application of this would be in crops that carry over from year to year. For example, you may harvest your 1966 corn crop in the fall and then sell it in the spring of 1967. Since you would be buying fertilizer and occurring other expenses for your '67 corn crop at the same time that you are selling your '66 crop, you must use lot numbers to differentiate these transactions among the corn enterprise; you could use lot 66 for the '66 crop year and lot 67 for the '67 crop. This would enable you to have a separation of income and expense transactions for each crop.

The above examples indicate how new enterprise reports are started. How do you think enterprise reports end?

- 1) By failing to make an entry for a particular enterprise.
- 2) They terminate automatically at the end of the year.

[illegible]

A

A second use of an internal transaction is to allocate the charges of an item bought for several enterprises, such as fertilizer used on more than one crop, or feed items that are not charged to the enterprise at the time of purchase. Suppose that you purchase protein supplement in bulk and that it is fed to more than one enterprise. The example on the opposite page will indicate how this type of situation should be reported on form 2. Note that the amount fed to each enterprise was accounted with the use of an internal transaction code. In other words, it may be thought of as each livestock enterprise purchasing the supplement from you. It is internal because the entire transaction is occurring within the farm organization. On which line should the enterprise code be recorded?

- 1) The line used to report the original purchase of the supplement.
- 2) The line used to allocate the supplement to each enterprise.

B

Both responses are partially correct, but they should be more specific. If there are not any entries for a particular enterprise for two successive quarters, or six months, then the records for that enterprise are dropped by the computer. However, enterprise records for 5100 and 5110 dairy, 5300 hogs, and all machinery terminate at the end of the year. All other enterprise records will continue from year to year as long as entries are made. Continue.

- 1) If this is true, which enterprise code would you use? Remember A
that more than one enterprise is using the supplement, so when
the actual purchase is made it would be impossible to allocate
the proper amount to each enterprise. Did you study the example
opposite page 72 very well? Return.
- 2) Righto! Another score for you. In this case, the enterprise code
is recorded when the supplement is allocated and not when it was
purchased. However, if it is possible to allocate the item upon
purchase, then you can use the enterprise code on the purchase line
and forget about the internal transaction. An example of this would
be when supplement is purchased for one enterprise only. Continue.
-

If you are keeping records for an enterprise report that will auto- B
matically terminate at the end of the year (enterprise reports 5100,
5110, 5300, and all machinery), but wish to continue these records into
the new year, you must record the information you need to carry it over
on your January form 2 report. This would mainly involve taking infor-
mation from your last summary and setting it up on form 2 as if you were
starting a new enterprise record. You must be sure to use 9, rather than
1 or 2, in columns 12 and 14 in transferring the information because it
will be an internal transaction. Why is it an internal transaction?

- 1) Because the information has already been recorded once, so if
it is reentered, it must be coded as an internal transaction
to avoid double accounting on your tax forms.
- 2) Because Telfarm says it is.

A third use of an internal transaction is to charge an enterprise A
for operator's and/or family labor in situations where cash is not
paid directly for labor. For example, you may wish to estimate the
hours of labor used on the enterprise. To do this you should record
the total estimated hours each month used directly for the enterprise
and enter as an internal transaction of form 2. Could you also do
this for hired labor?

- 1) Yes
 - 2) No
-

- 1) Correct. The main reason is to avoid double accounting for B
income tax purposes. Continue.
- 2) Thank you, but isn't the first response a more acceptable
answer? Read it again, and if you still do not agree, just
take our word for it. Return.

1) You certainly could, only there must be further explanation.

A

Continue.

2) Why not? As long as you have also entered the hired labor's as a cash expense, you could use an internal transaction to allocate a percentage of that labor for a particular enterprise.

Continue.

As you know, enterprise reports are received quarterly. But did you know that totals from previous reports are brought forward for your convenience? That's right. Each quarter, your enterprise report will contain up-to-date information that summarizes all previous data recorded. This is another service, of the many, that the computer will provide for you. Would this mean that upon receiving a new report that you could dispose of all previous reports?

B

1) Yes

2) No

[illegible]

Many cooperators desire not to include labor expenses in their enterprise report because of the difficulty in giving an accurate allocation. However, if you decide that you do want to include labor, it would be beneficial for you to include unpaid family and operator's labor as well as hired labor. If your hired man works on several enterprises, you should report his wages as follows:

A

- a. Report his total wages as a cash expense (code 2 in column 14) without using an enterprise code in column 17.
 - b. Then estimate the hours that he spent strictly on the enterprise and report as an internal transaction (code 9 in column 14). Record the enterprise code in column 17.
 - c. Estimate the hours of family and operator's labor spent strictly on the enterprise and report as an internal transaction (code 9 in column 14). Be sure to include the dollar amount in column 15 and record the enterprise code in column 17.
- See the example on the opposite page.

If you record operator's and unpaid family labor on form 3, table 3, do you think it is still necessary to record it on form 2 for enterprise purposes?

- 1) Yes
- 2) No

-
- 1) Right. You could do this since all previous totals are brought forward. This would eliminate a large accumulation of paper. Continue.
 - 2) Why not? If you wish to compare quarterly reports from year to year, you may ignore the suggestions. Otherwise, your old enterprise reports may be of little value to you. See 1) above.

B

- 1) Good. All labor for enterprise purposes, whether it is operator's, A
unpaid family, or hired, must be entered on form 2. If labor is
not desired for an enterprise report, then operator and unpaid
family should not be entered on form 2, but should always be
entered on form 3, table 3. Continue.
- 2) As you will find out later, the labor information of form 3, table
3 is used in the farm business analysis summary, so it is important
that you always report operator and unpaid family labor there re-
gardless of what happens in your form 2 report. However, infor-
mation on form 3, table 3 is not used in the enterprise summary,
so if labor information on enterprises is desired it must also be
reported on form 2. Continue.
-

Be sure to complete all the necessary columns on your form 2 report. B
The accuracy of your enterprise summary hinges on how complete your
form 2 report is. If you discover that you made a mistake in your report,
call Telfarm collect or send a note to the Telfarm center. The phone
number is 353-2959. The correction will be made so that you will receive
an accurate summary. A reminding note would be:

A mistake found in time
May save nine.

Turn to page 79.

Suppose you are keeping dairy enterprise records and that you want to include labor in your enterprise reports. You estimate that your hired man spends 20 hours out of his 60 hour work week strictly on the dairy herd. In filling out your form 2 report, you know that you must record the 60 hours for your hired labor records and the 20 hours for your dairy enterprise records. How would you code each of these?

A

- 1) Code 9 for the 60 hours and 2 for the 20 hours - page 64-B
- 2) Code 2 for the 60 hours and 9 for the 20 hours - page 64-B
- 3) Neither of the above - page 64-B

Stop what you are doing and prepare for a quickie quiz! The following questions are designed to see how well you understand what you have just read on enterprise reports. You will answer each of the following statements as true or false. Remember, no cheating! Circle the correct answer.

T = true, F = false

- T F 1. The computer will automatically drop an enterprise if no information is reported for two successive quarters.
- T F 2. To start an enterprise report, you should include a note with your form 2 report instructing the Telfarm staff which enterprises that you want reports on.
- T F 3. It is very important to be consistent in using enterprise codes and lot numbers in an enterprise report.
- T F 4. Lot numbers are mainly used to differentiate among separate groups under the same enterprise code.
- T F 5. If you are feeding home grown feed to your livestock, it can be charged against the enterprise it is being fed to by coding as an internal transaction.
- T F 6. If you want to include the cost of labor in your report, it is usually only important to estimate hired labor as family and operator's labor do not cost anything.
- T F 7. If you do estimate family and operator's labor, you must enter it as an internal transaction instead of an expense.
- T F 8. Dairy enterprise reports automatically carry over into the new year.

Turn the page.

- T F 9. To continue a 5100 or 5110 dairy enterprise (or a 5300 hog enterprise) into a new year, you must carry over the information needed from last year's report on your January form 2, coding it as an internal transaction.
- T F 10. Enterprise records are not really as difficult to keep as I first thought, as it really helps to spend a few extra minutes reading the instructions over carefully.

Turn the page for the answers.

You may grade your own test, but if you do not trust yourself, you should have your wife do the grading.

The answers are:

1. True 68-B
2. False 60-A
3. True 65-B
4. True 64-A
5. True 66-A
6. False 72-A
7. True 72-A
8. False 68-B
9. True 69-B
10. True If you missed this question,
you automatically fail.

If you scored 90% or above, you did well and are to be congratulated on your reading ability. 70-80% is passing, but anything below that is failing. If you do not understand why you missed a question, you may refer back to the program. The page that the question originated from is listed above with the answers.

Instructions for Form 3, Table 1

A depreciation schedule is necessary for farmers in filing their Federal income tax report. Telfarm will print an accurate, up-to-date depreciation schedule and make it available to each cooperator in the early part of February. Farmers that are new to Telfarm must set up their depreciation schedule on forms 4 and 5, whereas farmers that already have a depreciation schedule with Telfarm must record current depreciable transaction items on form 3, table 1.

Any time a transaction occurs that adds or removes a capital investment item from your depreciation schedule, it must be reported on form 3, table 1. As you report transactions of depreciable items, you will make decisions on such things as life of the item, method of depreciation, and optional first year depreciation. However, you will be given an opportunity to revise these decisions later on in the year. A tentative depreciation schedule will be sent to you in December that will include your depreciation schedule transactions through the third quarter. You will return a copy of this to the Telfarm center with your revisions as soon as possible. These revisions will be processed along with your fourth quarter transactions and the completed depreciation schedule will be returned then.

As the time element is very important in receiving a depreciation schedule, when do you think you should return your revisions to the Telfarm center?

- 1) No later than the first of January.
- 2) No later than the first of February.

- 1) Correct. If all cooperators would return their revisions by the first of January, it would be much easier for the Telfarm center to send a completed depreciation schedule early in February.

Continue.

- 2) Sorry but you are not allowing enough time for the Telfarm center to process the revisions and send out a complete depreciation schedule for you in order to file your Federal income tax.

Return.

Since you must remove the old tractor from your depreciation schedule, you must enter it on form 3, table 1. The first thing you will do is to look up its identification number in your present depreciation schedule and record it in column 3. You should also record the owner number in column 4, description in column 5, 2 in column 6 for trade-in, and the month and year in columns 7 and 8. What about the dollar amount in column 11?

- 1) Leave it blank
- 2) Record \$1500 since it was the value allowed on the trade-in.

On your depreciation schedule, each item has a five digit identification number. The example on the opposite page is one in which a cooperater is trading his old drill in on a new one. Notice that in column 3, the identification number of the old drill has been recorded. What does this mean? A

- 1) This number should be recorded whenever an item is removed from the depreciation schedule.
 - 2) This number should be recorded whenever an item is added to the depreciation schedule.
-

- 1) Correct. It isn't necessary to record anything for dollar amount on a trade-in since the difference has been calculated in adding the new item to the depreciation schedule. The example on the opposite page represents the correct procedure for trade-ins. Continue. B
 - 2) No. It may seem logical to enter the value allowed on the trade-in, but since this value is used in calculating the difference of the trade, you would only be entering it twice if you recorded it in this case. Return.
-

- 1) Correct. Any time an item is removed from the depreciation schedule, A
you should record its identification number in column 3. Continue.
 - 2) If you will refer back to the example, you will notice that the line
on which the item being added is recorded there is a blank space in
column 3. Thus, there is no evidence in the example to make this
statement true. Return.
-

In situations where a single item is traded on several items, you B
should indicate the proportion of the item that should be added to each
of the items bought and enter the items on separate lines. In the example
on the opposite page, a cooperative has traded a tractor in on a new tractor
and loader. Notice that in the description column he indicated the pro-
portion of the tractor that he wanted traded on each of the new items.
When a single item is traded on several items, or if several items are
traded on a single item, which items should have a 5 digit identification
number recorded in column 3 when the transaction is reported on form 3,
table 1?

- 1) The items traded in
- 2) The items acquired

It is not necessary for you to record an identification number for a new depreciable item. Telfarm will do it for you. That is why in the example opposite page 84, column 3 was omitted for the drill. To briefly summarize, when one item is traded on a new item, you must use two lines on form 3, table 1 to record the transaction. The first line may be used to remove the old item from the depreciation schedule and its 5 digit identification number should be recorded in column 3. The second line will be used to add the new item to the depreciation schedule, and it will not be necessary for you to assign an identification number as Telfarm will do it for you. A

It is unfortunate that many cooperators fail to notice the restriction recorded in column 5 for the description. It is clearly stated that the description is "limited to 16 spaces on bought items." Yet there are many reports that violate this restriction and exceed the 16 space limit. Why do you think this error is so common?

- 1) Cooperators are often in too much of a hurry to complete their reporting chores, and as a result, errors such as this will often occur.
- 2) There are times when 16 spaces does not leave enough room to fully describe an item, thus, the cooperator will purposely violate this restriction.

-
- 1) Good. You know that any time a trade occurs, the items that are removed from the depreciation schedule must have their identification number recorded in column 3 by you. Continue. B
 - 2) Remember that Telfarm will assign new identification numbers for items acquired, but they must first know which items have been traded. Will they know this if column 3 has been left blank for items traded-in? Return.

1 & 2) Probably both answers are correct reasons why this error is so common. It should be said that those who substitute speed for correctness are only hurting themselves in the long run. Also, for cases where it seems impossible to describe an item in 16 spaces, it is better to include a note informing the Telfarm center of the problem rather than to extend the description out into the proceeding columns. Such a situation should be rare. Continue. A

When you sell an item that is on your depreciation schedule, you should report the sale price in column 11. Telfarm will indicate the sale on your year end inventory and will compute the gain or loss for your Schedule D income tax report. The amount of returnable investment credit will also be computed for you. B

There are a few other transactions that should be considered. For example, suppose that you have a barn destroyed which is insured for \$3,000 and you replace it with a new barn that costs \$10,000. When you report these transactions on form 3, table 1, you should use two separate lines: one line is to add the new barn to the depreciation schedule and the other is to remove the barn that burned. When you add the new barn, you will record its cost in column 11, and when you remove the old barn, you record the insurance received in column 11. In our example, what value will you place in column 11 when you add the new barn to the depreciation schedule?

- 1) \$10,000
 - 2) \$ 3,000
 - 3) \$ 7,000
-

There are a few additional comments that should be made regarding A
the description. First, it is more satisfactory to list purchased
cows individually rather than in a group. DHIA control numbers are
recommended for use as identification numbers since no herd uses the
same control number twice. In this case, it is okay for you to assign
the identification number to each cow, otherwise Telfarm will assign
one for you. When cows are listed individually, are neck chain numbers
(not DHIA numbers) acceptable as an identification number?

- 1) Yes
 - 2) No
-

- 1) Correct. You are doing well as you knew that you should enter B
the cost of the building in column 11. Look at the example on
the opposite page. Continue.
 - 2) No. This is the amount that you will enter when you remove the
barn that was destroyed from the depreciation schedule. Return.
 - 3) Wrong. You probably subtracted the insurance from the cost of
the new barn, but the computer will do this for you. Instead,
you should enter the cost of the building. Return.
-

- 1) Isn't it possible to use the same neck chain number more than once in a herd? If so, wouldn't this tend to be confusing at times? Perhaps it would be better if you selected another response. Return. A
- 2) Good. Neck chain numbers can be used as the description but are not acceptable as an identification number because they are used more than once in a herd. Continue.
-

The cost basis of the new property in our last example becomes B
the amount paid for the replacement property plus the undepreciated value of the property destroyed minus any insurance received. The computer will do the arithmetic for you. If the property is destroyed and not replaced, you will still enter the insurance in column 11 when you remove the item from the depreciation schedule. If an item is to be removed because it has been junked, abandoned, given away, butchered, or has died, you should identify the item, its identification number, owner number, and date. The balance of depreciation that is due will be calculated for you.

Suppose that a cow on your depreciation schedule dies and that you report its death on your form 3, table 1 report for that month. Which of the columns listed below are necessary in reporting this information?

- 1) dollar amount
- 2) owner number
- 3) identification number
- 4) date

In listing animals as a group, such as for beef cows, sows, or ewes, the number of head in the group should be recorded first in the description. Note how this is done in the example on the opposite page. It is acceptable to include remarks enclosed in a parenthesis if it will more fully describe the item transacted and if it does not extend out of the description column. A

Columns 6 through 8 are self-explanatory, yet mistakes in these columns do occur. For example, columns 7 and 8 are used for recording the transaction date; column 7 is used for the month, but is column 8 for the day of the month or is it for the year?

- 1) Day
- 2) Year

-
- 1) The dollar amount column should be left blank unless, of course, a rendering company pays you for the carcass. Also, in situations where an item is junked, abandoned, given away, or butchered, there will not be a dollar amount entry in column 11. Return. B
 - 2-4) Good. Any time an item is removed from your depreciation schedule, there must be information for owner number, identification number, and date reported on form 3, table 1. Continue.
-

- 1) No. It may seem logical for you to record the day of the month that the transaction occurred, but that isn't the information that is called for in this column. Return. A
- 2) Correct. The year should be recorded in column 8. The point that is to be emphasized in this case is that a cooperator should not take things for granted in filling out a report, and he should read each column heading carefully enough to know what information is needed. It may pay to have your report checked for this type of mistake before it is sent in to the Telfarm center. Continue.

Columns 12 through 15 are to be answered only on items that you are adding to the depreciation schedule. They are self-explanatory with the directions calling for you to do the following: B

Column 12--If the item is new, write "N"; if it is used, write "U".

Column 13--Record the life expectancy of the item.

Column 14--Code the method of depreciation that you desire for that item.

Column 15--If you want 20% optional first year depreciation, write "yes"; if you don't, write "no".

The optional 20% first year depreciation is only eligible on new or used tangible personal property, and it must have a 6 or more year life in the hands of the owner when purchased. Note that in the example on the opposite page, the ewes were not eligible for the 20% optional, whereas the beef cows were. The only difference is in the years of life that the cooperator expects from the items. Also, an item is only eligible for the first year it is purchased. Which of the following items do you think are eligible for optional 20% depreciation?

- | | |
|--------------------------|---------|
| 1) Tractor | 3) Barn |
| 2) Dairy cow (purchased) | 4) Land |

Assume that all have at least a 6 year life.

Read the heading for column 11 in the example on the opposite page 91. Suppose you have bought a new tractor and you traded one of your older tractors in on it. The new tractor sells for \$5,000 and you are allowed \$1,500 for the trade-in. What amount will you record in column 11 when you add the new tractor to your depreciation schedule?

A

- 1) \$5,000
 - 2) \$3,500
 - 3) \$1,500
-

1 & 2) Correct. Machinery and livestock are tangible personal property, thus, they both qualify for the 20% additional depreciation as long as they have a 6 or more year life. Continue.

B

3 & 4) No. Buildings aren't eligible for the 20% additional depreciation, although they are eligible for regular depreciation. Real estate is not depreciable. Return.

- 1) Wrong. Since a trade was involved, you should record the difference. Return.
 - 2) Correct. You realized that you should record the differences paid when a trade is involved. Turn back and continue on page 83-B.
 - 3) No. You should record the difference and not the value allowed of the item traded. Return.
-

A

There are a few reminders that should be made before this discussion is closed. First, it is important to be sure to enter the information called for in column 12, as the amount of investment credit that is allowed depends on whether the item is new or used. Second, it is necessary to enter the years of life expectancy of purchased cows in column 13 and a salvage value in column 20. For livestock, it is usually appropriate to enter the slaughter value for salvage, which is usually \$150 for dairy cows. No salvage is necessary on buildings, and machinery may be entered as zero if the normal salvage is less than 10% of cost. If you purchase a tractor for \$5,000 and the normal salvage value is \$750, is it necessary to enter the \$750 in column 20 in this case?

B

- 1) Yes
- 2) No

1) Correct. \$750 is greater than 10% of the cost ($5,000 \times .10 = \$500$), B
thus, you should enter it in column 20. If the normal salvage
value would have been less than \$500, then you would enter a zero
in column 20. This concludes the discussion of form 3, table 1. A
discussion of form 3, tables 2 and 3 will follow on page 95.
Continue.

2) Wrong. The rule states was that a salvage value must be entered if
the normal salvage was greater than 10% of the cost on machinery.
10% of \$5,000 is \$500. Is the normal salvage in this case greater
than \$500? If so, you had better return.

Table 2 Livestock Information

Table 3 Hours Of Farm Work

Line	Kind of Livestock	Number head in cols. 3,4,&5 should equal those in cols. 7,8,10,11,&13.											No. this Mo.	Items to record in col. 14	Line	Worker	Worker code	Hours worked on farm
		Beg. of mo.	Pght Born	Total	Sold		Butchered		Died before wean	Died after weaned	End of							
					Head	Wt.	Head	Wt.			mo.	mo.						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	1	2	3	4
1	Dairy Cattle							xxx			xxx			Cows milk & dry	1	Operator or partner	0011	
2	Purchased Feeder Cat.			xxx					xxx					Pur. cat. on feed	2	2nd partner	0012	
3	Reef Cow herd													Mature bee cows herd	3	3rd partner	0013	
4	Hogs													Sows far.	4	Unpaid family	0401	
5	Sheep													Mature Bwe in flock	5	Unpaid family	0402	
6	Purchased Feeder lamb			xxx					xxx					Pur. lambs on feed	6	Unpaid family	0403	
7	Laying Hens			xxx				xxx	xxx		xxx			Hens in flock	7			
8															8			
9															9			
10															10			
11															11			
12															12			
13															13			

Form 3, Table 2

Information that you record on form 3, table 2 has an important role A
in the livestock factor portion of your annual farm business analysis
report. By reporting information on average number of cows in herd,
number of sows farrowed, mature ewes in flock, and hens in flock, Telfarm
is able to calculate for you such analysis factors as milk sales per cow,
pigs weaned per litter, lambs raised per ewe, and eggs sold per hen.
Mortality rates for the layer hen enterprise report are also calculated
from this table. These, and other analysis factors are often very useful
in appraising management practices, and it will pay you to record the
information as accurately as possible.

Study the sample form of tables 2 and 3 on the opposite page. Notice
in table 2 that a subheading states that the number of head in columns 3,
4, and 5 must equal those in columns 7, 8, 10, 11, and 13. Column 6
(should, should not) equal the sum of columns 7, 8, 10, 11, and 13?

1) Should

2) Should not

-
- | | |
|---|---|
| 1) Wrong. Did you consider both dry and milking cows in computing the
average? Go over your calculations again making sure that you con-
sider all cows in the herd. Return. | B |
| 2) You are right. 70 is the average mature cows in the herd for the
month. The number at the beginning of the month was 70 (60 milking
+ 10 dry). The number at the end of the month was also 70 (70 beg.
- 1 sold - 1 died + 2 heifers freshened = 70 end). To calculate the
average you would have $(70 + 70)/2 = 70$. Continue. | |
| 3) Sorry, but your answer is wrong. Did you include the heifers that
freshened during the month? Return. | |
| 4) You probably made a mistake in your arithmetic. Try again. | |
-

- 1) Correct. The total in column 6 should equal the sum of columns 7, 8, 10, 11, and 13. If they don't total, either your arithmetic is bad, or you've gained or lost some livestock that you don't know about. Continue. A
- 2) Doesn't the total in column 6 equal the sum of columns 3, 4, and 5? Didn't we also say that the total of columns 3, 4, and 5 must equal the total of columns 7, 8, 10, 11, and 13? Wouldn't it be logical then to say that the total in column 6 should equal the sum of columns 7, 8, 10, 11, and 13? If you think that this is true, you should read 1) above and then continue.
-

Line 4 of column 14 is for the number of sows that farrowed during the month, line 5 is for the average number of mature ewes in the flock, and line 7 is for the average number of hens in the flock for the month. Let's work another example. Suppose you have a laying hen flock and at the beginning of the month there were 4850 birds in your flock. The death loss for the month was 30 and you also sold 200 birds. What is the average figure that you should record for line 7, column 14? B

- 1) 4620
- 2) 4735

Under column 2, kinds of livestock, line 1 is for dairy cattle; A
this includes all cows, heifers, bulls, calves, and raised dairy
steers. Lines 4 and 5 are for hogs and sheep respectively, and they
also include all types of breeding and market animals in these species.

Suppose that you are a dairy farmer. When you report information
on form 3, table 2 each month, the first column that you must report
information in is 3, which is the inventory at the beginning of the
month. What type of information would you report for line 1 under
column 3?

- 1) The total number of cows, heifers, bulls, calves, and raised
dairy steers that you had on hand at the beginning of the month.
- 2) The total number of milking cows at the beginning of the month.
- 3) The total number of mature cows and heifers at the beginning
of the month.

1) No. 4620 is not the average for the month but is the total on B
hand at the end of the month. The question asks for the average.
Return.

2) Correct. $(4850 + 4620)/2 = 4735$. Actually, the arithmetic isn't
too hard. The main job is to know what values to use in calculating
the average. In this case, you would add the total at the beginning
of the month to the total at the end of the month and divide by 2.
Continue.

- 1) Excellent. This is the correct information for column 3. Column A
13 is similar except that you would report the number on hand at
the end of the month. Continue.
- 2-3) Incorrect. More information is needed than is provided in these
responses. You should read the information on page 97 over again.
-

Columns 3 through 13 of table 2 are easy to understand if you read B
the column headings carefully. Information should be supplied on live-
stock that you own in all columns except those that contain x's. Be sure
to record the weight of those animals that died after weaning in the case
of beef, hogs, and sheep. This information will make it possible for
Telfarm to give you a percent weaned factor in your farm business analysis
report.

Form 3, Table 3

The information from form 3, table 3 is used in the farm business
analysis report for calculating such factors as labor income and value of
farm production per hour of labor. This table summarizes the hours worked
by the operator, partners, and unpaid family workers for the month. A
paid family worker must have his wages recorded on form 2, and not form 3,
table 3. Partners should have their hours worked reported on this table
even though they draw a living wage from the partnership account. If the
wife works on the farm or keeps the books, she should have her hours
reported on this table.

Which responses below should appear on form 3, table 3?

- | | |
|----------------------|------------------------|
| 1) Paid family labor | 3) Partner's labor |
| 2) Operator's labor | 4) Unpaid family labor |

Column 15 explains the type of information that is needed in column A
14. Line 1 of column 14 is for the average number of mature cows in
your herd for that month, and it includes both milking and dry cows. You
should be aware of the difference between the type of information needed
in column 14 from that needed in columns 3 through 13. For example, let's
compare column 14 to column 13 with respect to line 1. You know that you
should record for line 1 under column 13 the total number of cows, heifers,
bulls, calves, and raised dairy steers that you have on hand at the end of
the month. Column 14 differs from 13 in two ways. First, column 14 is
only for mature cows. Second, column 14 is an average figure for the
month, whereas column 13 is a total figure at the end of the month. How
do you figure the average for column 14? Suppose that at the beginning
of the month you had 60 milking cows and 10 dry cows in your herd. During
the month, 1 cow dies, 1 is sold, and 2 heifers freshen. Also, 3 of the
dry mature cows freshen. Knowing that column 14, line 1 is the average
of mature cows in your herd for the month, what value should be recorded
using the above figures?

- 1) 63 -- page 95-B
- 2) 70 -- page 95-B
- 3) 69 -- page 95-B
- 4) None of the above -- page 95-B

-
- 1) Wrong. Paid family labor should not appear on form 3, table 3, as B
should not any type of hired labor. Return.
 - 2-4) Correct. Operator, partner, and unpaid family labor should appear
on form 3, table 3. Continue.

One final note. Notice on the sample form opposite page 95 that column 3 of table 3 is the worker's code number. It is important that you be consistent in using a code for the same worker that used it in previous months. This means that if one unpaid family member is code 0401, he is the only one that should be assigned that code throughout the entire year. Good luck.

B

CHAPTER VI

Summary

The purposes of this paper are two-fold. First was the presentation of arguments for the proposed change in the method of instructing Telfarm cooperators on how to record input data. The second purpose was the actual writing of a program for possible future use in Telfarm as an instructional communications means.

The change in the method of instruction involves eliminating the present instruction forms and applying programmed instruction as a replacement. The arguments for change are based on the failure of the present instruction forms to successfully communicate the information needed by the cooperator to accurately report input data. The errors that result lead to high cost processing of the data. To increase the efficiency of Telfarm, a reduction of these errors through a more effective communication system is a necessity. The elements of programmed instruction that would tend to make it more effective than the present instruction forms are:

- 1) Programed instruction tends to stimulate the learner through active response. This aids in creating an interest for the material and the learner will remember the information for a longer period of time.
- 2) Programed instruction feeds information in small steps so that the learner progresses in gradual increments to enable him to have greater control of the subject.

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