

Farm Financial Standard Task Force Balance Sheet Recommendations

- Construct separate business and personal balance sheets
- Assets & Liabilities segregated into current and non-current categories
- Both cost and fair market values of assets should be reported
- The balance sheet should contain a section for owner's equity

FFSTF Income State Recommendations:

- Income Statements should be on an accrual adjusted basis
- A charge for unpaid labor and management should not be included
- Non-farm earnings should be segregated on the income statement

Net Farm Income

- Return to Unpaid Labor
- Unpaid Management
- Unpaid Equity Capital

ROAOA

$ROROA = (\text{NFIFO} + \text{Interest Pd-Charge for unpaid labor}) / \text{Ending Total Assets}$

ROROA is the return to all assets (both borrowed and owned)

Net Farm Income from Operations

- Returns to unpaid labor, management and equity capital
- cash operating expenses (including interest)
 - Prepaid Expenses
 - ≠ Adjusted for livestock inventories
 - ≠ Depreciation or Capital Consumption
 - = Gross Farm Expense

ROROE

- Rate of Return on Equity Capital
- $ROROE = (\text{NFI-charge for unpaid labor}) / \text{Ending Net Worth}$
- ROROE is the rate of return to owner's equity
- ROROE should be at least as great as ROROA!