



# Bookkeeping and Recordkeeping for Farmers

ASCFG: Rooted and Reconnected

# Nice to meet you! I'm Julia



Chef



Author



Speaker



Entrepreneur



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# Agenda



## Part 1: Overview of bookkeeping

Why it matters

The 4 rules of bookkeeping



## Part 2: Setting Up Your System

Key Concepts

The Chart of Accounts



## Part 3: Overview of QuickBooks



# Overview of Record Keeping

# Why Bother?



# Why Bother? Reason #1

## ○ Scenario:

- You forget to record a \$20 expense

## ○ Effect:

- Reported expenses goes down, profit goes up

## ○ Result:

- \$5 - \$8 more in taxes and cash outflow!

# Why Bother?

## Reason #2 (True Story!)

### ○ Scenario:

- You download your Square sales and banks statements into QuickBooks. You double count your revenue.

### ○ Effect #1:

- Income overstated by \$3,000
- Increases your taxes by \$750 - \$1,200!

### ○ Effect #2:

- Don't understand your true cost of production
- Looks like you're doing better than you are

# How does it affect analysis?

## Actual

- Revenue: \$50,000
- Cost of Production: \$25,000
- Gross Profit = \$25,000
  - 50%

## Double Counted

- Revenue \$53,000
- Cost of Production: \$25,000
- Gross Profit = \$28,000
  - 53%

Does this change how you manage your business?



# You have questions about your business

- Can you afford to purchase new equipment?
- What is your cost of production for a certain crop?
- Is it worth going to a farmers' market?
- Can you afford to discount your prices to sell wholesale?

# What information do you need?

- What did you sell?
- What are your fixed expenses? What are your variable expenses?
- What is your cost of production?
- What are your sales specific expenses?

This information comes from your recordkeeping system.

# Discussion:

What questions do you have about your business?

# Types of Recordkeeping

## Financial

- Sales/Expenses
- Cash Flow
- Investments

## Production

- Harvest Yields
- Pick Records
- Time/labor

# How we track matters

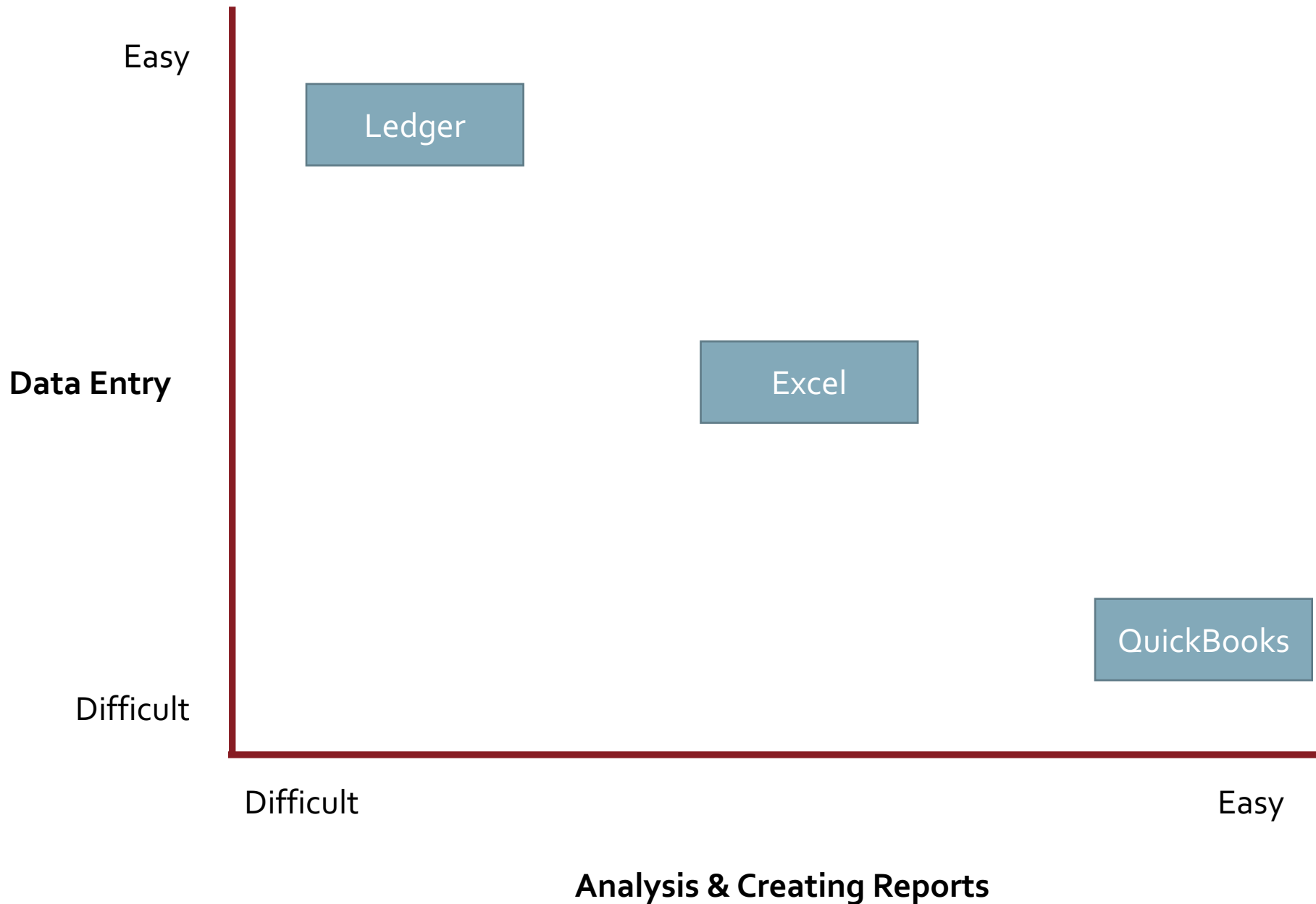
## What

- Date
- Dollar Value
- Purpose

## How

- QuickBooks
- Excel
- Ledger

# All Systems Take Time



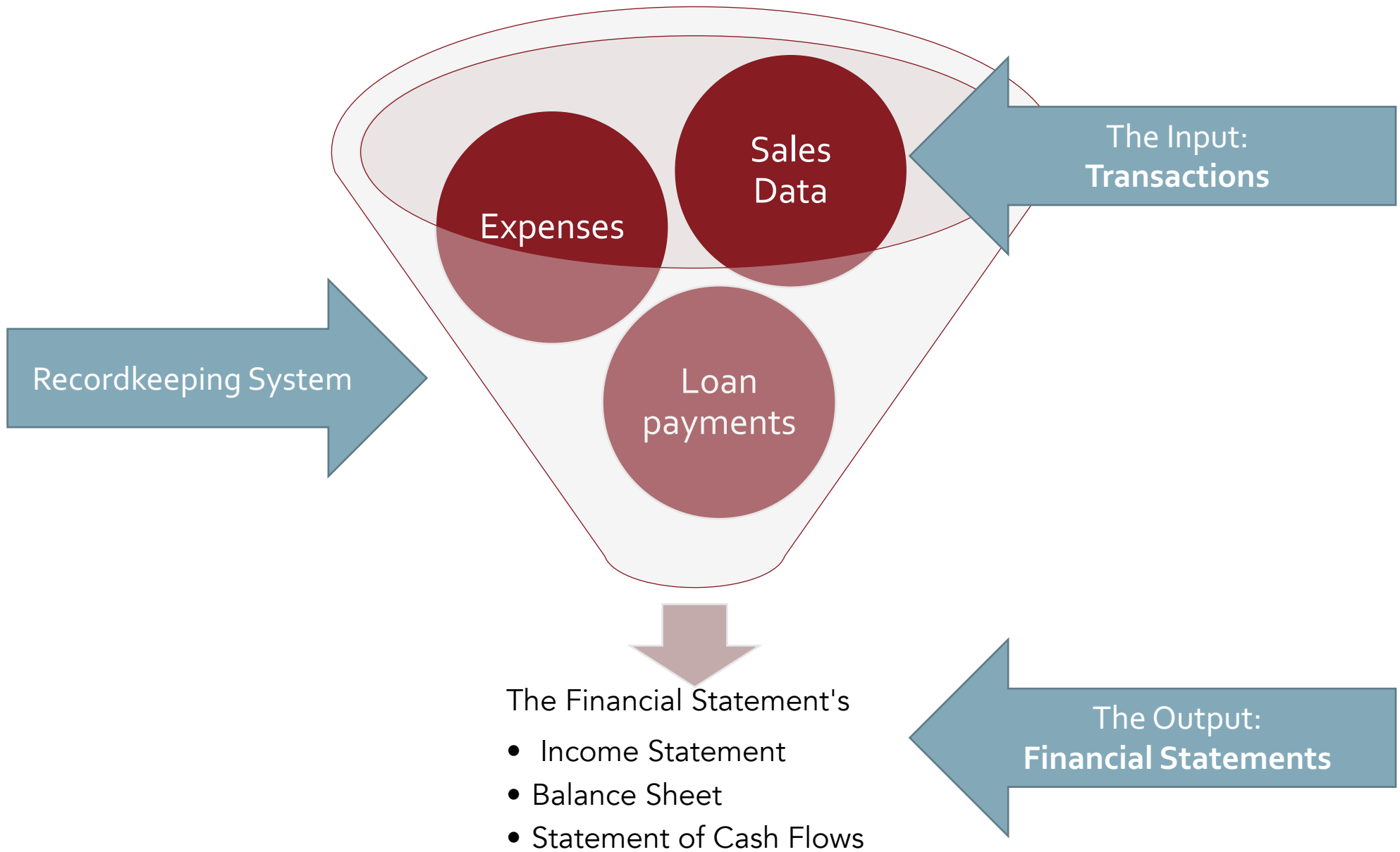
# 4 Rules of Bookkeeping

# Rule #1: Garbage In, Garbage out.



"I tried to warn him -  
garbage in, garbage out."





Recordkeeping System

The Input:  
Transactions

Expenses

Sales  
Data

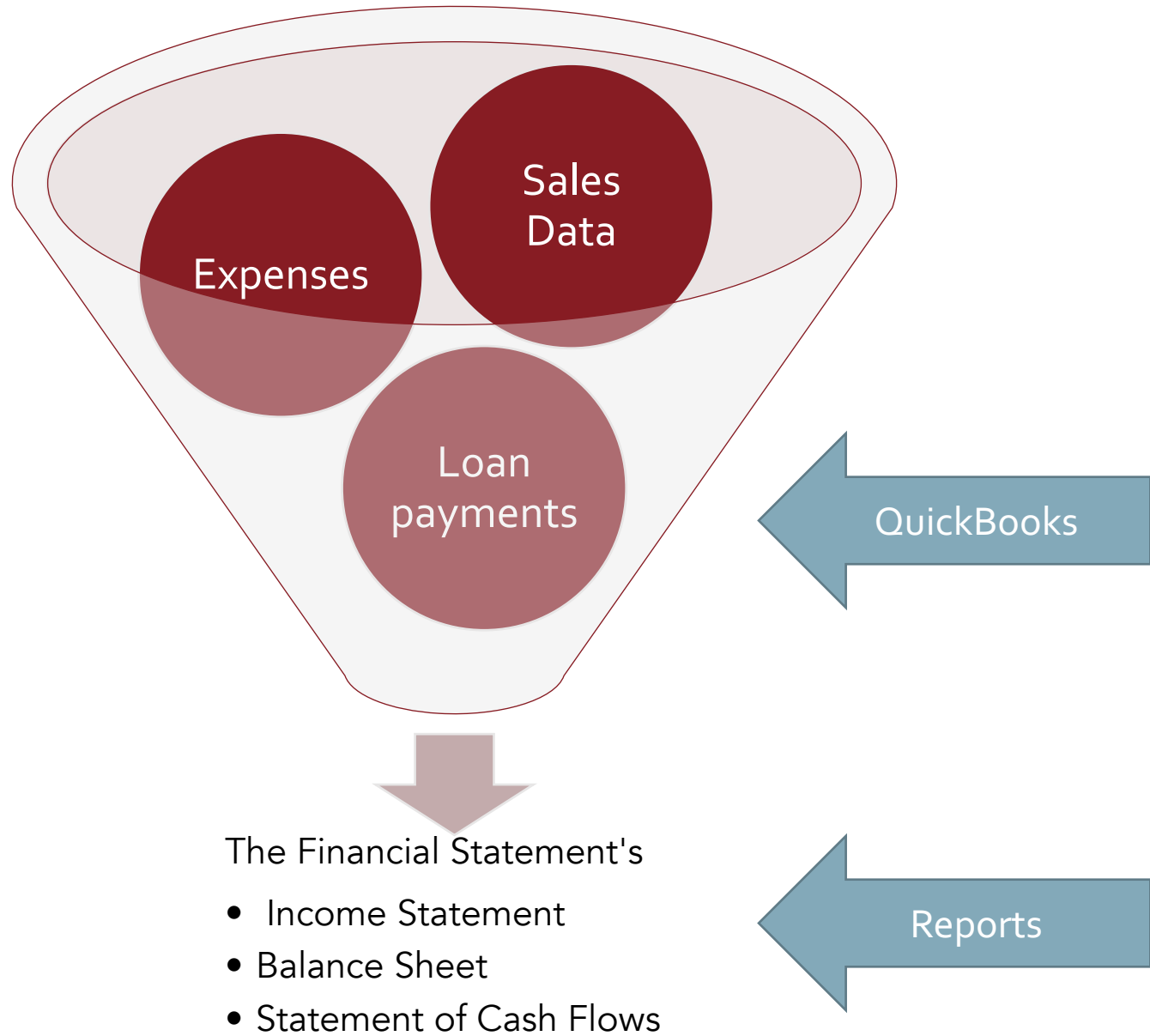
Loan  
payments

The Financial Statement's

- Income Statement
- Balance Sheet
- Statement of Cash Flows

The Output:  
Financial Statements

# A summary of transactions that convey information



# The Output: The Financial Statements

A summary of transactions that convey information

- Profit and Loss (AKA Income Statement)
  - Overview of profitability and operations
- The Balance Sheet
  - What you have (assets) and how you got them (by borrowing or earning profits)
- Statement Cash Flows
  - How cash moved in and out of your business

A good bookkeeping system manages the input and provides the output.

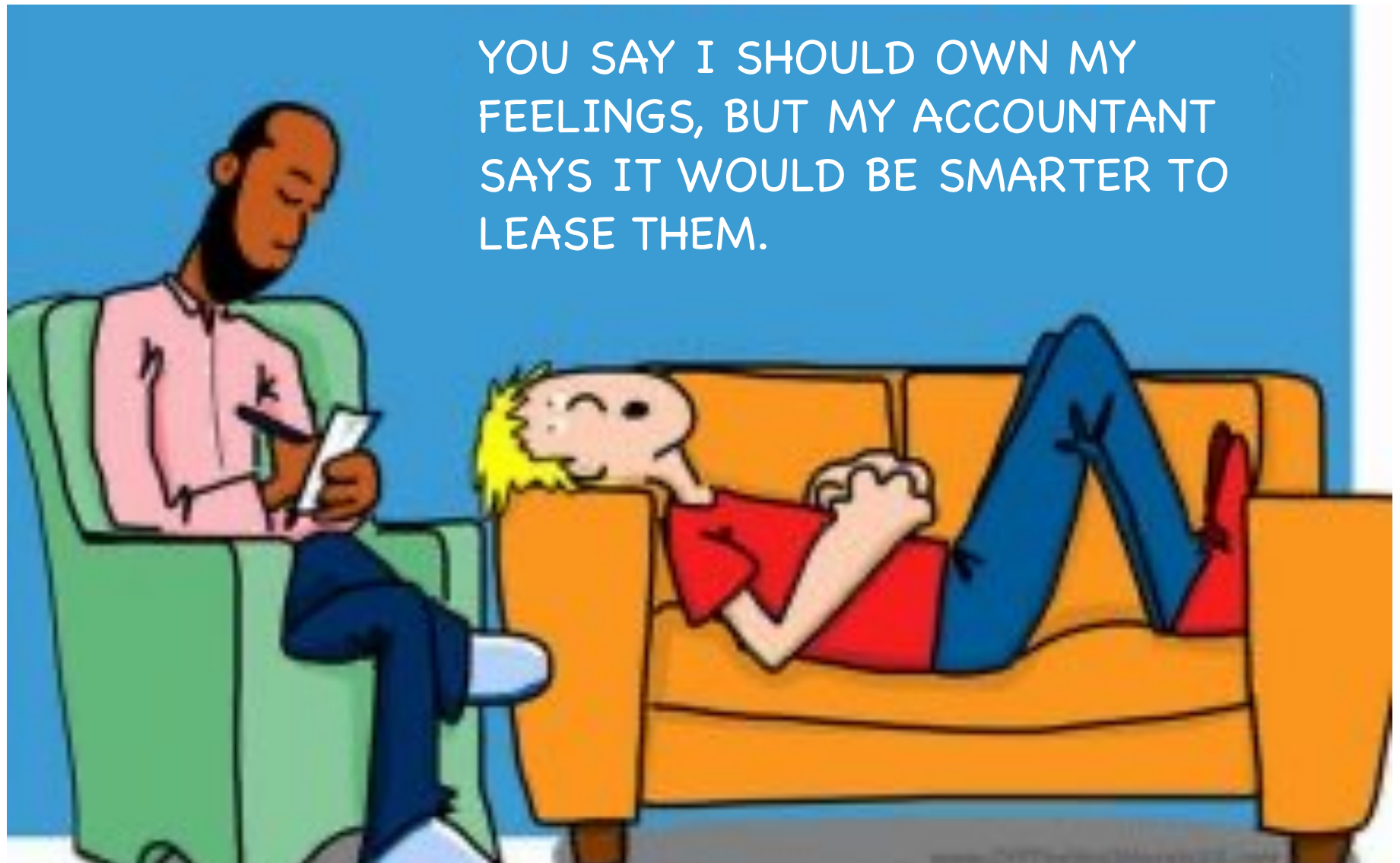
## Rule #2 – You're the Boss



# Rule #3 – Be Consistent

**CONSISTENCY**  
**IS** 

# Rule #4 – Focus on Managerial Decisions



# Part 2 – Setting Up Your Systems

How we track our numbers matters  
Set up your system so you can get the most  
out of the data.



# What story do your numbers tell?

Are you spinning your wheels?



Are you building equity?



## EXAMPLE:

You purchase a new greenhouse.  
Is it an expense or an asset?

### Expense

- Revenue
    - \$100,000
  - Greenhouse
    - \$15,000
  - All other expenses
    - \$60,000
- 
- Net Profit
    - \$25,000
  - Total Assets
    - \$0

### Asset

- Revenue
    - \$100,000
  - Greenhouse
    - \$15,000
  - All other expenses
    - \$60,000
- 
- Net Profit
    - \$40,000
  - Total Assets
    - \$15,000

# Remember Rule #1? Garbage In, Garbage out.



"I tried to warn him -  
garbage in, garbage out."

If you want representative outputs (reports),  
you need a good system for tracking the  
inputs (transactions)

# Key Concepts to consider as you set up your system

# Key Concept #1: Cash vs. Accrual

## Cash Accounting

- ▶ Record revenues and expenses when the cash is received or spent.
- ▶ No A/P or A/R

## Accrual Accounting

- ▶ Record revenues when earned, and expenses when incurred.
- ▶ Match expenses with revenues when possible

# Example

You take wedding deposits of \$10,000 in 2022

	Cash	Accrual
Revenue	\$ 50,000	\$ 50,000
Deposits for weddings in 2023	\$ 10,000	
<b>Total Revenue</b>	<b>\$ 60,000</b>	<b>\$ 50,000</b>
Expenses	\$ 20,000	\$ 20,000
<b>Net Profit</b>	<b>\$ 40,000</b>	<b>\$ 30,000</b>
<i>Net Profit Margin</i>	67%	60%

Which story will help you best understand your profitability?

# Possible Solutions

- Accrual Adjustments for Wedding Deposits
- In QuickBooks
  - Set up “liability account”
  - Record receipt of deposit into liability account
  - When revenue is “earned” use products/services (items) to credit the account.



# Example 2- Invoicing

- You sell wholesale and deliver \$1,000 worth of product. You create an invoice for the client in QuickBooks; and expect the client will pay in 30 days.
- A week later, you're running reports to see how things are going. You run the report on a "cash basis".
- Will that \$1,000 be included in revenue?

# Question

Is that \$1,000 included in revenue?

11:00 AM

09/28/21

Cash Basis

## MSK Farm Profit and Loss Standard September 2020

	Sep '20
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
CSA Sales	320.00
<b>Farmers Market Sales</b>	
Market Sales by Credit Card	1,643.75
Farmers Market Sales - Other	1,918.00
<b>Total Farmers Market Sales</b>	<b>3,561.75</b>
Grocery Store Sales	2,334.30
Restaurant Sales	1,524.55
Website Sales	531.00
<b>Total Income</b>	<b>8,271.60</b>

# Cash vs. Accrual: Key Takeaways

## Cash Accounting

- ▶ Better for tracking and understanding cash flow

## Accrual Accounting

- ▶ Better for understanding production/work cycles and profitability

### QuickBooks Tip:

- Company setting for "Accrual"
- Run reports "cash basis" to see cash flow

# What does this all mean?



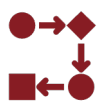
Intuitively, we think in accrual. But it feels like more work, and too complicated. There are workarounds



Accrual accounting takes more work but gives a better picture of profitability.



Know which accounting method you are using and why. Be deliberate.



When you read reports to evaluate how you are doing, take these differences into account.

# Key Concept #2: Everything has a bucket (or shoebox)

QuickBooks Foreshadowing:

- Every transaction will go into a "bucket."

Direct Operating  
Expenses

General and Admin  
Expenses

Assets: Equipment  
and Infrastructure

# Buckets (aka Chart of Accounts)

## Income Statement

- Income
- Expenses
  
- COGS
- Other Income
- Other Expense

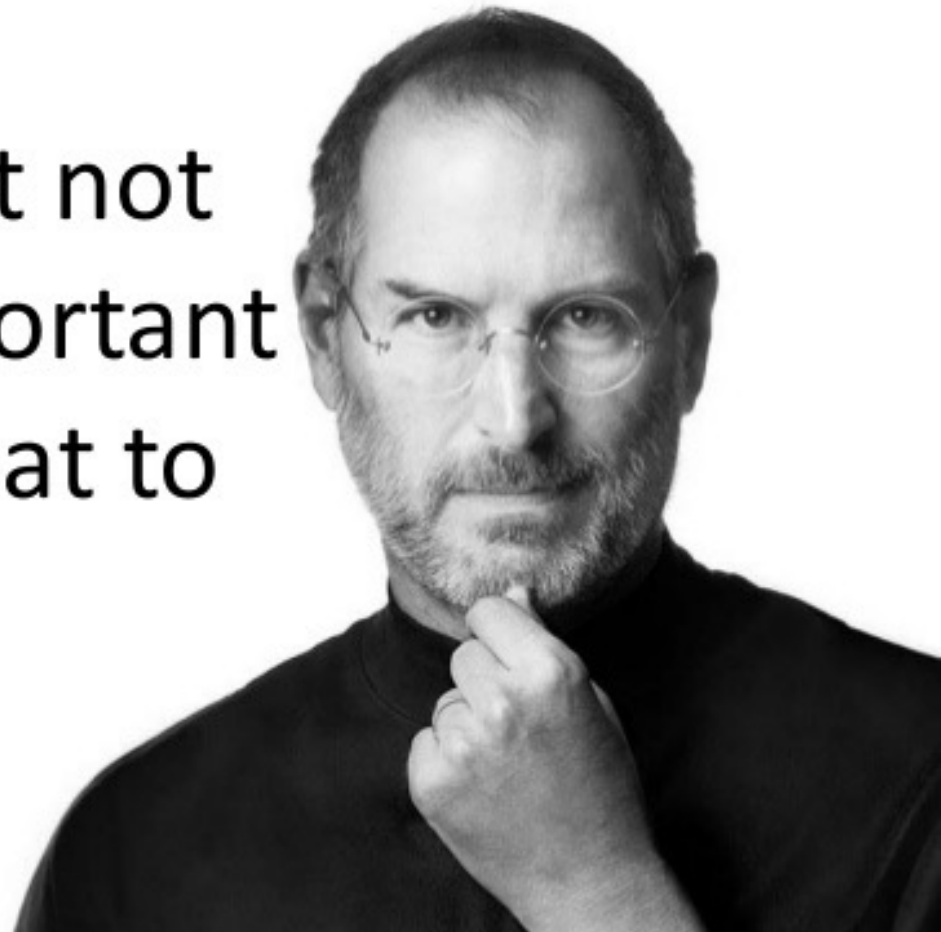
## Balance Sheet

- Fixed Assets (Asset)
- Bank (Asset)
- Loan (Liability)
- Credit Card (Liability)
- Equity
  
- Accounts Receivable (Asset)
- Other Current Assets (Asset)
- Other Current Liability (Liability)
- Long Term Liability (Liability)
- Accounts Payable

The buckets shape the story of  
your business

“Deciding what not to do is as important as deciding what to do.”

- *Steve Jobs*





# The Schedule F- Income Statement

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Farm Income				
CSA Revenues	16,500	23,750	32,250	40,000
Farmers Market Sales	27,492	27,519	27,547	27,575
Grant	NA	25,000	NA	NA
<b>Total Income</b>	<b>43,992</b>	<b>76,269</b>	<b>59,797</b>	<b>67,575</b>
Less Cost of Goods Sold	2,508	2,600	2,600	2,600
<b>TOTAL GROSS INCOME</b>	<b>\$41,485</b>	<b>\$73,669</b>	<b>\$57,197</b>	<b>\$64,975</b>
<b>EXPENSES</b>				
Advertising	362	100	100	100
Dues & Publications	500	500	500	500
Equipment	5,374	25,000	2,000	2,000
Feed (grain)	3,632	3,995	4,394	4,834
Fertilizer & Lime	1,704	1,874	2,062	2,268
Gasoline/Fuel/Oil	2,544	3,053	3,664	4,397
Insurance	2,250	2,588	2,976	3,422
Labor Hired (Payroll)	10,250	11,655	11,888	12,125
Postage	192	195	200	200
Professional Fees	1,600	1,600	1,600	1,600
Repairs & Maintenance	3,283	3,500	3,800	4,000
Seeds & Plants	1,696	3,000	3,240	3,499
Supplies	2,777	3,500	4,000	4,000
Taxes	6,790	6,790	8,000	8,000
Telephone	1,068	1,100	1,100	1,100
Trash	111	450	450	450
Utilities	2,130	2,237	3,141	3,298
Veterinary	95	100	100	100
Website/Marketing		510	60	60
<b>TOTAL EXPENSES</b>	<b>\$46,357</b>	<b>\$71,746</b>	<b>\$53,274</b>	<b>\$55,953</b>
<b>NET PROFIT/LOSS</b>	<b>-\$4,872</b>	<b>\$1,923</b>	<b>\$3,923</b>	<b>\$9,022</b>

# Challenge #1

○ Grants are included in Revenue

	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Farm Income				
CSA Revenues	16,500	23,750	32,250	40,000
Farmers Market Sales	27,492	27,519	27,547	27,575
Grant	0	25,000	0	0
<b>Total Income</b>	<b>43,992</b>	<b>76,269</b>	<b>59,797</b>	<b>67,575</b>

# Challenge #2

Expenses aligned to Schedule F, not business reality

<b>EXPENSES</b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Advertising	362	100	100	100
Dues & Publications	500	500	500	500
Equipment	5,374	25,000	2,000	2,000
Feed (grain)	3,632	3,995	4,394	4,834
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# Income Statement: Organize to Extract Meaning

- Revenue

- Gross Sales

- COGS

- Produce & Products for Resale

- $\text{Gross Profit} = \text{Revenue} - \text{COGS}$

- Operating Expenses

- Direct Operating
- Labor
- Occupancy
- General and Administrative (G&A)
- Repairs and Maintenance
- One-time Expenses

- $\text{Operating Income} = \text{Gross Profit} - \text{Expenses}$

- Other Income & Expense

- Grants
- Depreciation
- Interest Expenses

- $\text{Net Income} = \text{Operating Income} \pm \text{Other Income \& Expenses}$



**Is your core  
operation  
profitable?**



**Is something  
else driving  
profits/losses**

# Sample Account Names

- Direct Operating
  - Seeds/Seedlings
  - Soil Amendments
  - Greenhouse supplies
  - Field Supplies
  - Packaging

# Sample Account Names

## ○ Labor

- Salaries and Wages
- Payroll Taxes
- Disability Insurance
- Workers Comp Insurance
- Employee Meals
- Staff Housing

# Sample Account Names

- General and Administrative
  - Liability Insurance
  - Professional Fees (legal, bookkeeping)
  - Website
  - Telephone expense
  - Office Supplies

# Remember?

## Rule #2



## Rule #3

**CONSISTENCY**  
**IS** 

If you use account names that make sense to you, consistency is easier.



# In Summary...

- Create a system that works for you
- You can't manage what you don't measure
  - Bookkeeping systems allow to measure and manage
- Using a paper ledger is better than nothing; but QuickBooks is the best option for many farmers
- Know what questions you want to answer; and set up your systems to track the details you need

# Part 3:

# QuickBooks Overview

# Agenda

- Desktop vs. Online
- The language of QuickBooks
- Setting up your Chart of Accounts

(for another day... how to enter transactions in QB and run reports)

# QuickBooks: Online vs. Desktop



## On-line

- x \$35 - \$80 /month
- x (\$420 - \$960/year)
- X Only one enterprise
- ✓ Bank Feed
- ✓ Collaboration: Easy
- X Speed: Slow
- X Sufficient Reporting

## Desktop

- ✓ \$299
- ✓ Annual Cost
- ✓ Multiple Enterprises
- X Iffy Download
- X Collaboration: Meh
- ✓ Speed: Fast
- ✓ Robust Reporting

# Online vs. Desktop

	Online	Desktop	Winner?
Purchase Price	\$35 - \$80 /month	\$299	Desktop
	\$420 - \$960/year)	Annual Cost	
More than one business?	Only one enterprise	Multiple Enterprises	Desktop
Bank Feed	Easy Peasy for larger banks	Iffy Download	Online
Collaboration	Easy	Meh	Online
Speed	Slow	Fast	Desktop
Reports	Better reporting requires more expensive version	All included	Desktop

# “QuickBooksEse” is a different language

Words have different (and specific) meanings

- Receive Payment
- Pay Bills
- Debits and Credits
- Non-inventory Part

Some terms use different names in different places

- Received From = Customer: Job = Name
- From Account = Account
- Record Deposit = Make Deposit
- Products and Services = Items

# Chart of Accounts





# QuickBooks' Buckets (aka Chart of Accounts)

## Income Statement

- Income
- Expenses
  
- COGS
- Other Income
- Other Expense

## Balance Sheet

- Fixed Assets (Asset)
- Bank (Asset)
- Loan (Liability)
- Credit Card (Liability)
- Equity
  
- Accounts Receivable (Asset)
- Other Current Assets (Asset)
- Other Current Liability (Liability)
- Long Term Liability (Liability)
- Accounts Payable

# Framework for the Chart of Accounts

## REVENUES

- Sales Channels
  - Farmers Markets
  - Farm Stand
  - Co-Op
  - CSA
  - Wholesale

OR

- Products
  - Beef
  - Dairy
  - Vegetables

## EXPENSES

- Parent Categories
  - COGS
  - Direct Operating
  - Payroll
  - General + Admin
  - Repairs + Maintenance
  - Occupancy
- Children (Sub-Accounts)
  - Seeds/Seedling
  - Fertilizers/Amendments
  - Salaries and Wages
  - Insurance

# Chart of Accounts

Name	Type
▼ Direct Operating	Expense
Car and Truck Expenses	Expense
Farm Stand Exp	Expense
Farmers' Marke	Expense
Field Work	Expense
Greenhouse Supp	Expense
Post Harvest Supplies	Expense
R Garden	Expense
▶ Seed and Plants	Expense
Shipping - Farm Supplies	Expense
Soil Ammendments	Expense
Storage	Expense
Supplies	Expense
▶ Field	Expense
▶ General and Admin	Expense
Greenhouse Structure	Expense
▶ Occupancy	Expense
▶ Repairs and Maintenance	Expense
Seed Saving Supplies	Expense
Buildings and Improvements	Fixed Asset
Furniture and Equipment	Fixed Asset
Agricultural Program Payments	Income
▶ Crop Sales	Income
▶ Education/Tours	Income

What it is

Where it is

# QBO – Chart of Accounts

The screenshot shows the QuickBooks Online interface for 'Craig's Design and Landscaping Services'. The 'Chart of Accounts' page is active, displaying a table of accounts. A green box highlights the 'Filter by name' search bar and the first two columns: 'NAME' and 'TYPE'. A large pink question mark is overlaid on the table, with two blue callout boxes pointing to the 'NAME' and 'TYPE' columns. The callout boxes contain the text 'What it is' and 'Where it is' respectively.

NAME	TYPE	DETAIL TYPE	QUICKBOOKS BALANCE	BANK BALANCE	ACTION
Checking	Bank	Checking	1,201.00	-3,621.93	<a href="#">View register</a>
...	...	...	800.00	200.00	<a href="#">View register</a>
...	...	...	5,281.52		<a href="#">View register</a>
...	...	...	596.25		<a href="#">View register</a>
Prepaid Expenses	Other Current Assets	Prepaid Expenses	0.00		<a href="#">View register</a>
Uncategorized Asset	Other Current Assets	Other Current Assets	0.00		<a href="#">View register</a>
Undeposited Funds	Other Current Assets	Undeposited Funds	2,062.52		<a href="#">View register</a>
Truck	Fixed Assets	Vehicles	13,495.00		<a href="#">View register</a>
Depreciation	Fixed Assets	Accumulated Depreciation	0.00		<a href="#">View register</a>
Original Cost	Fixed Assets	Vehicles	13,495.00		<a href="#">View register</a>

# Creating a New Account – Select Type

**Add New Account: Choose Account Type**

Choose **one** account type and click Continue.

Categorize money your business earns or spends

- I**ncome
- E**xpense

Or, track the value of your assets and liabilities

- F**ixed **A**sset (major purchases)
- B**ank
- L**oan
- C**redit **C**ard
- E**quity

**Other Account Types**

[Help me choose the right account type](#)

Click an account type on the left to see a description here.

Continue Cancel

<select>

- Accounts Receivable
- Other Current Asset
- Other Asset
- Accounts Payable
- Other Current Liability
- Long Term Liability
- Cost of Goods Sold
- Other Income
- Other Expense

# Account Types Determine the Report Structure

- Revenue
  - Gross Sales
- COGS
  - Produce & Products for Resale
- Gross Profit = Revenue - COGS
- Operating Expenses
  - Direct Operating
  - Labor
  - Occupancy
  - General and Administrative (G&A)
  - Repairs and Maintenance
  - One-time expenses
- Operating Income
- Other Income & Expense
  - Grants
  - Depreciation
  - Interest Expenses
- Net Income

**Account Type: Income**

**Account Type: COGS**

**Account Type: Expenses**

**Account Type: Other Income**

**Account Type: Other Expenses**

# Chart of Accounts Tips

- Use **sub-accounts** to keep things organized
- Make **inactive** accounts you don't use
- **Rename** accounts to make sense for you.
- **Merge** accounts as necessary
- **Merging** or **Renaming** will apply to all previous transactions
- Look at your **Profit and Loss** and **Balance Sheet** to ensure things look as you want
- Align revenue categories with expense categories, but use different account names

# Daily-ish Bookkeeping Tasks

- Record expenses
- Log Invoices to Customers
- Note invoices that have been paid
- Record Sales/Revenue and other Deposits



# In Summary...

- Good bookkeeping takes effort, but your efforts will be rewarded.
- Find a system that works for you and gives you the answers you need.
- QuickBooks is the standard solution for many farmers.
  - But if that's too much, something is better than nothing
- The more you look at your numbers, the better you'll understand the right system for you.

# Hungry for More?



# Hungry for More?

More video tutorials

- [www.thefarmersoffice.com](http://www.thefarmersoffice.com)
- Use discount code: iloveflowers

The screenshot shows a pricing table with four columns: Basic, All Access, FSA Approved, and QuickBooks Only. The 'All Access' column is highlighted with a blue border. Each column includes a description of the subscription, a price, a 'Register' button, and a 'Learn More' button.

Basic	All Access	FSA Approved	QuickBooks Only
Access to select videos, tutorials and live webinars to get you started with financial management systems.	Access to ALL videos, (including live webinars), office hours, plus discounts on coaching.	Access to ALL videos, (including live webinars), office hours, plus final quiz to satisfy the FSA requirement.	Access 3 "how to" courses to get you set up in QuickBooks and managing your books.
FREE	\$49/month	\$49/month	\$25/month
Register	Register	Register	Register
Learn More	Learn More	Learn More	Learn More

Download the presentation:  
[www.juliashanks.com/presentations](http://www.juliashanks.com/presentations)

# THANK YOU!



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