

Agricultural Economics Curriculum

A Project Funded by USDA BFRDP Grant #10506276

Development Partners Include:



Lesson 3. Activity 2 – Case Study: Part 3

Introduction

Let's dive right back into our case study with Megan's cattle operation. This time we will create two balance sheets and by doing so complete the reports, which the youth farmer loan requires.

Materials

Students will need to have the following materials to complete this exercise:

- Pencil
- Computer with access to Excel[®] or other spreadsheet program - or -
- Calculator

Student Instructions

Part 1 – Beginning of the Year Balance Sheet

Many times lenders want a beginning and ending balance sheet for comparison and evaluation of business activities. Use the information provided in the narrative to create a beginning of the year balance sheet for Megan.

Megan will need to provide her lender with a market-basis balance sheet. Currently, she owns a heifer with a value of \$1,000 at the start of the year, a blower valued at \$300, and has \$500 cash. She has no debt.

Beginning of Year Balance Sheet			
(A) Current Assets		(D) Current Liabilities	
	\$		\$
	\$		\$
	\$		\$
Total Current Assets	\$	Total Current Liabilities	\$
(B) Non-current Assets		(E) Non-current Liabilities	
	\$		\$
	\$		\$
	\$		\$
Total Non-Current Assets	\$	Total Non-Current Liabilities	\$
(A) Total Assets	\$	(F) Total Liabilities	\$
		(G) Owner's Equity	\$
		(H) Total Liabilities + Owner's Equity	\$

Part 2 – End of Year Balance Sheet

The end of year balance sheet will show Megan’s business growth as compared to the beginning of the year. Use the narrative provided to complete a market-basis end of year balance sheet for Megan’s project.

Megan will purchase a bred cow for \$750. She will need to borrow \$250 to complete the purchase. At the end of the year, the cow is expected to be worth \$800. The principal payment on the note will be \$83 next year with interest of \$9. Note, in December she expects to make a payment of \$79 on the cow note. Her show heifer’s value will be \$1,200 at the end of the year. She will need to take out an operating loan equal to her production expenses for the year. This note will be paid off in December. Her blower will be worth \$250 at the end of the year.

End of Year Balance Sheet			
(C) Current Assets		(D) Current Liabilities	
	\$		\$
	\$		\$
	\$		\$
	\$		\$
Total Current Assets	\$	Total Current Liabilities	\$
(D) Non-current Assets		(E) Non-current Liabilities	
	\$		\$
	\$		\$
	\$		\$
	\$		\$
Total Non-Current Assets	\$	Total Non-Current Liabilities	\$
(B) Total Assets	\$	(F) Total Liabilities	\$
		(G) Owner’s Equity	\$
		(H) Total Liabilities + Owner’s Equity	\$

Student Reflection

1. Describe the sources of change in Megan’s net worth from the beginning of the year to the end of the year.
2. Do you see any problems with Megan’s business so far? Explain your position and specific details as to why you have come to that conclusion.