

November 12, 1994, the corporate name was changed to Farm Financial Standards Council to reflect more appropriately a permanent organization .

The Mission of the FFSC is to provide education and a national forum to facilitate the development, review, communications, and promotion of uniformity and integrity in both financial reporting and the analytical techniques used for effective and realistic measurement of the financial position and financial performance of agricultural producers.

The Council is an independent body made up of individuals serving without pay. In addition to the very considerable volunteer time, many organizations have contributed substantial amounts of money, staff time, and material to sustain the efforts of the FFSC. Anyone interested in furthering sound financial agricultural reporting and analysis is welcome to be part of any and all Council activities. Watch the Council's Web site www.ffsc.org for meeting dates and details.

Join Us

The FFSC meets annually to provide a forum on the application of the financial and management accounting standards and issues relevant to Agriculture. Producers, educators, consultants, accountants, government representatives and banking professionals participate in the program of our summer symposium, both as presenters and observers. The annual session also provides an excellent environment for networking with others that are involved in Ag Management. CPE credits are available for those attending.

FFSC members are available to offer presentations to interested group

For more information or to order the guidelines on CD visit our website at www.ffsc.org

Farm Financial Standards Council
N78 W14573 Appleton Ave #287
Menomonee Falls, WI 53051
Phone- 262-253-6902
Fax-262-253-6903
cerry@countyside-marketing.com

Now Available in CD format

Both the *Financial Guidelines for Agricultural Producers* and the *Management Accounting Guidelines for Agricultural Producers* are available on a single CD.

This CD provides comprehensive, practical guidelines for financial reporting and management accounting in agriculture. Compiled by agricultural producers, lenders, accountants, and educators, these documents provide the first broadly-accepted recommended practices for measurement of financial performance and development of management information systems for agricultural producers.

For order information and prices, visit www.ffsc.org



FFSC
Farm Financial Standards Council

**GUIDELINES FOR
AGRICULTURAL
PRODUCERS**

www.ffsc.org

**PROMOTING UNIFORMITY & INTEGRITY
IN FINANCIAL REPORTING & ANALYSIS**



Today's business environment in agriculture is becoming increasingly complex. Producers need to process large amounts of information from a variety of sources in order to operate efficiently and effectively. The accounting systems that farmers and ranchers employ must generate information for external reporting to creditors, government agencies and others. In addition, accurate meaningful information is required for internal use in order to make good business decisions.

The Farm Financial Standards Council offers two sets of *Guidelines* to aid producers in capturing this information, preparing reports and performing financial analysis in a uniform manner. These *Guidelines* are not static, but are subject to ongoing updating and review in the context of continual monitoring of financial issues that are relevant to agriculture.

Financial Guidelines for Agricultural Producers

- How do I compare?
- Monitor Farm and Ranch Financial Health
- Measure Financial Performance
- Streamline Credit Processes

The *Financial Guidelines for Agricultural Producers* are intended to:

1. Promote uniformity in financial reporting for agricultural producers by presenting methods for financial reporting which are theoretically correct and technically sound;
2. Present standardized definitions and methods for calculating financial measures which may be used in the measurement of financial position and financial performance of agricultural producers; and
3. Identify alternatives for development of a national agricultural financial database. The *Guidelines* are of interest to agricultural

producers; all types of lenders — commercial bankers, Farm Credit System loan officers, insurance industry lenders, suppliers of trade credit, providers of dealer credit, Consolidated Farm Service Agency lenders, and other non-institutional lenders; accountants, attorneys, estate planners, and other financial consultants.

Management Accounting Guidelines for Agricultural Producers

- “Manage”-ment Accounting Works
- Know True Costs of Production
- Integrate Production and Financial Information
- Cost/Profit Centers for Profitability

Whereas, financial accounting systems focus on external reporting for the overall organization, management accounting is a means to accumulate financial information in harmony with other production information (metrics) for internal reporting and analysis of the producer's business by production segment for purposes of resource 'management' and decision making. A management accounting system also provides financial accounting information for the entity as a whole.

A management accounting system should provide information for five broad purposes:

1. Formulating overall strategies and long-range plans, including new product development, major shifts in production methods, and investment in both tangible and intangible assets, and frequently involves special purpose reports.
2. Resource allocation decisions such as product and customer emphasis and pricing. These discussions frequently involve reports on the profitability of products or services, brand categories, customer, distribution channels, and so on.

3. Cost planning and cost control of operations and activities, involving reports on revenues, costs, assets, and the liabilities of divisions, plants, and other areas of responsibility.
4. Performance measurement and evaluation of people, including comparisons of actual results with planned results. It can be based on financial or nonfinancial measures.
5. Meeting external regulatory and legal reporting requirements because regulations and statutes typically prescribe the accounting methods to be followed.

What is the Farm Financial Standards Council?

The History of the Council

The Council came about because of the Farm Debt Crisis of 1983 to 1987. The Agricultural Division of the American Bankers Association commissioned the Report of the National Commission on Agricultural Finance.

The report called for the need for standardization with particular reference to the development of: (a) a universal loan application, and (b) accounting standards for farm businesses. It was indicated that “efforts should address both loan documentation and accounting practices for analyzing farm businesses and for collateralizing loans.”

In January 1989 a “Farm Financial Standards Task Force” was created with the mandate to develop and publish standardized *Financial Guidelines for Agricultural Producers*.

The Farm Financial Standards Task Force was incorporated in March 1993, as a “Nebraska non-profit corporation” and on