

Farm Financial Standards Council
2001 Summer Symposium
August 18-19
Radisson Hotel and Conference Center
Bloomington, IL

In attendance: Charles Brown, John Caster, John Collins, Joe Daughettee, Daryl Ellis, Don Gillings, Ricky Greene, Gary Goodwin, Eddie Hamilton, Christine Hamilton, Jim Hartman, Paul Haveck, Steve Hofing, Barbara Kelm, Jim Kelm, John Larson, Mark Machtemes, Kent Meister, Carroll Merry, Jean Merry, Alan Miller, Timothy Moag, Russell Morgan, Kevin Moss, R. Scott Nusbaum, Phyllis Parks, G. Michael Smith, Ron Swanson, Kendal Thompson

Saturday, August 18, 2001

The Symposium was called to order at 1 p.m. by Joe Daughettee, Symposium chairman.

Council President Kendal Thompson welcomed those in attendance and reviewed the planned agenda for the meeting. He explained that this symposium would be different from meetings from past in that it would be devoted entirely to the Management Accounting project. He then presented a brief overview of the project.

Steve Hofing made a presentation on the core concepts of management accounting and led discussion. (Attach PowerPoint presentation?)

After a break, discussion focused on the differences in direction and focus given in the *Financial Guidelines for Agricultural Producers (Guidelines)* and what is evolving as a Management Accounting document.

Points of discussion included:

- The two products are not grossly inconsistent but address different audiences.
- The Guidelines may need revisions footnoting the implications of moving to a more enhanced financial tracking system.
- Stress needs to be put on value of the information that will become available using the MA structure.

The meeting adjourned at 5:10 p.m.

Sunday, August 19, 2001

Steve Hofing began the meeting at 10 a.m. and led the group through a discussion on Technical Issues. He noted that the three primary points of discussion would focus on Inventory Valuation, Depreciation Methodology and Period Costs. He noted that he was seeking their response to specific questions being faced by the MA project group. (Attach PowerPoint?)

At 11:25 a.m. small groups were formed to discuss the issues.

Points coming out of the discussion included:

On the subject of Depreciation

- Book depreciation is very much recommended.
- Gains or losses on animals (biologicals) should be part of Cost Center.
- Gains or losses relating to equipment and buildings should be part of Finance

Center.

On the subject of Inventory Valuation

- LCM would be preferred
- From an external standpoint, SOP 853 would be accepted as an alternative in managerial accounting, but should be consistent across products/time products
- Items that 853 applied to needed to be in a separate ledger account
- 853 is an acceptable alternative for people who are only producing 853 crops
- There will be fewer candidates for 853

On the subject of Period Costs

- Raw period costs should not be capitalized
- Need to separate inventory from product cost
- There should be no capitalization of period costs with an exception of interest under certain situations like vineyards, etc. period cost (not much time on it)

Points of additional discussion:

- Structure has a lot to do with these issues
- If an objective is benchmarking, we ought to get that out there
- The first objective is to deal with operating costs and not interest cost.

FLIP CHART NOTES:

DEPRECIATION

BOOK RECOMMENDED

G/L ON BIOLOGY - PRODUCTION

G/L ON INORGANIC FINANCIALS

INVENTORIES

MA - COST

EXTERNAL - 85-3

INVENTORY VAL

MA

LCM - PREFERRED, BUT 85-3 OK;
BUT PROBABLY SHOULD BE CONSISTENT ACROSS PRODUCTS/TIME
PRODUCTS

85-3 SEPARATE
PERIOD COST
NO CAPITALIZE
INCONSISTENCY
ALLOCATION

INVENTORY
LCM BOTH INTERNAL AND EXTERNAL PREFERRED
FEWER CANDIDATES FOR 85-3

PERIOD COSTS
NO CAPITALIZATION
INTEREST IN CERTAIN SITUATIONS

Following lunch, Don Gillings led the group through hypothetical situations and asked them to provide their suggestions for establishing finance and cost centers. Their inputs will be used to help guide the MA project group.

The Symposium ended at 3:00 p.m.