

Worksheet 1. Input Information

Schedule F Data

Taxable Year:

Cost of livestock sold (Schedule F, line 2)	(a)	_____
Gross income (Schedule F, line 11)	(b)	_____
Depreciation (Schedule F, line 16)	(c)	_____
Mortgage interest (Schedule F, line 23a)	(d)	_____
Other interest paid (Schedule F, line 23b)	(e)	_____
Total expenses (Schedule F, line 35)	(f)	_____

Balance Sheet

Beginning

Ending

Balance sheet date			
Cash	(g) _____	(l) _____	
Total current farm assets	(h) _____	(m) _____	
Total current farm liabilities	(i) _____	(n) _____	
Accrued interest	(j) _____	(o) _____	
Farm accounts payable and accrued exp.	(k) _____	(p) _____	
Total farm assets		(q) _____	
Total farm liabilities		(r) _____	
Owner's equity		(s) _____	

Miscellaneous Data

Breeding stock sales (Form 4797)	(t)	_____
Number of operators and employees (annual full-time equiv.)	(u)	_____
Family living expense (all families supported by the farm) ¹	(v)	_____

Net Farm Income

Gross revenues [a+b+t+(m-l) – (h-g)]	(w)	_____
Interest expense [d+e+(o-j)]	(x)	_____
Other expenses [a+f-(d+e)+(p-k)]	(y)	_____
Net farm income [w-x-y]	(z)	_____

¹ This number is used to approximate the value of unpaid family and operator labor. University of Illinois research indicates that 1997 total living expenses for 1-2 member families is \$39,332; 3-5 member families is \$47,950; and 6+ member families is \$47,083. Do not include a value here if the operator and family members are paid a reasonable wage by the business and those wages are already included in the value on line f.

Worksheet 2. Financial Performance Measures

Profitability	Your Farm	Benchmark ¹	Strong (+) / Weak (-) ² (circle one)
1. Return on Assets [(z+x-v)÷q] x 100	_____ %	_____ %	+ -
2. Return on Equity [(z-v)÷s] x 100	_____ %	_____ %	+ -
3. Operating Profit Margin [(z+x-v)÷w] x 100	_____ %	_____ %	+ -
Liquidity			
4. Current Ratio [m÷n]	_____	_____	+ -
Solvency			
5. Debt-to-Asset Ratio [r÷q] x 100	_____ %	_____ %	+ -
Financial Efficiency			
6. Asset Turnover Ratio [w÷q] x 100	_____ %	_____ %	+ -
7. Revenue per Full-Time Laborer [w÷u]	_____	_____	+ -
8. Operating Expense Ratio [(y-c)÷w] x 100	_____ %	_____ %	+ -
9. Depreciation Expense Ratio [c÷w] x 100	_____ %	_____ %	+ -
10. Interest Expense Ratio [x÷w] x 100	_____ %	_____ %	+ -
11. Net Farm Income Ratio [z÷w] x 100	_____ %	_____ %	+ -

¹ See Table 2 for benchmarks.

² A strong indicator for items 1, 2, 3, 4, 6, 7, and 11 would be a value for your farm that is greater than the benchmark.
A strong indicator for items 5, 8, 9, and 10 would be a value for your farm that is less than the benchmark.

Worksheet 3. Repayment Capacity Ratios and Measures

1.	Current Ratio		
	Current assets (Item m) ¹		_____
	Current liabilities (Item n)	(÷)	_____
	Current ratio	(=)	_____
2.	Working Capital		
	Current assets (Item m)		_____
	Current liabilities (Item n)	(-)	_____
	Working capital	(=)	_____
3.	Term Debt Coverage Ratio:		
	Net farm income (Item z)		_____
	Interest (Item x minus operating interest)	(+)	_____
	Depreciation (Item c)	(+)	_____
	Family living expense (Item v)	(-)	_____
	Income for debt servicing and capital replacement	(=)	_____
	Cash used for capital replacement (from your records)	(-)	_____
	Income for debt servicing	(=)	_____
	Scheduled principal and interest payments on term debt (from your records)	(÷)	_____
	Term debt coverage ratio	(=)	_____
4.	Term Debt Repayment Capacity and Margin		
	Net farm income (Item z)		_____
	Interest (Item x minus operating interest)	(+)	_____
	Depreciation (Item c)	(+)	_____
	Family living expense (Item v)	(-)	_____
	Income for debt servicing and capital replacement	(=)	_____
	Cash used for capital replacement (from your records)	(-)	_____
	Term debt repayment capacity	(=)	_____
	Scheduled principal and interest payments on term debt (from your records)	(-)	_____
	Term debt repayment margin	(=)	_____
5.	How much additional debt could this term debt repayment margin service?		
	Term debt repayment margin (above)		_____
	Amortization factor from Table 4	(÷)	_____
	Additional term debt the margin would service	(=)	_____

¹ Items refer to Worksheet 1.

Worksheet 4. Assessing the Effect of a Change on the Rates of Return

Financial Data	Actual	Projected Change ⁴
1. Gross Revenues (Item w) ¹	_____	_____
2. Fixed Costs ² (Depreciation, interest, family living and income taxes Items c+x+v)	_____	_____
3. Variable Costs ³ (Other expenses minus depreciation, Item y-c)	_____	_____
4. Net Income (1-2-3)	_____	_____
5. Total Farm Assets (Item q)	_____	_____
6. Owner's Equity (Item s)	_____	_____
7. Interest Expense (Item x)	_____	_____
Calculations		
A. Operating Profit Margin [(4 + 7) ÷ 1]	_____	_____
B. Asset Turnover Ratio (1 ÷ 5)	_____	_____
C. Return on Assets (A x B) x 100	_____ %	_____ %
D. Interest Cost Adjustment (7 ÷ 5)	_____	_____
E. Financial Structure (5 ÷ 6)	_____	_____
F. Return on Equity [((C ÷ 100) - D) x E] x 100	_____ %	_____ %

¹ Items refer to Worksheet 1, page 13.

² Costs that do not vary with the level of production. If a more precise estimate of fixed costs is desired, include the insurance and property taxes reported on Schedule F.

³ Costs that vary with the level of production. If a more precise estimate of variable costs is desired, subtract the insurance and property taxes reported on Schedule F.

⁴ In conducting your analysis, it is best to consider only one change at a time.