

What is a Balance Sheet?

- The **capital balance** of the farm account
- Assets and Liabilities
- Usually calculated at the **financial year end**

Why is it useful?

- Indicates longer term **financial stability**

Balance Sheets: Assets

Assets: What the Business is worth- An Arable Farm Example

1) Fixed Assets

Type of Fixed Asset	Value (£ per farm)
Land and Buildings	2,459,818
Breeding Livestock	7,103
Machinery	214,134
Permanent Crops	2,358
Subsidy Entitlements	61,224
Miscellaneous Assets	889
Total Fixed Assets	2,745,525

2) Current Assets

Current Asset	Value (£ per farm)
Crops and trading livestock	88,122
Stores	57,065
Liquid Assets	135,186
Total Current Assets	135,186

Liquid assets include cash at bank & debtors

Calculate your own balance sheet at: www.farmbusinesssurvey.co.uk/benchmarking

Balance Sheets: Liabilities

Liabilities: What a business owes- An Arable Farm Example

Short and Longer Term Liabilities

Liability	Value (£ per farm)
Bank Loans	67,978
Non-Bank Loans	77,406
Bank Overdraft	39,033
Non-Bank Short Term Loans	103,295
Total Liabilities	287,712

Non-Bank Loans
(longer term): Any loans to commercial organisation exceeding 12 months in duration

Non-Bank Short Term Loans:
Any loans (usually less than 12 months) to a commercial organisation, including hire purchase, leasing and creditors

Balance Sheets: Calculating Net Worth

Net Worth (Net Capital): The equity, or owner's share of a business. The Arable farm example:

Total Assets

£3,037,597

MINUS

MINUS

Total
Liabilities

£287,712

=

=

Net Worth

£2,749,884

A **Financial Stability** calculation, the net worth as a % of total assets:

$$\frac{2,749,884}{3,037,597} \times 100$$

= **90.5%**

A figure close to 100% shows high financial stability to market and asset changes

Balance Sheets: Gearing and Liquidity

Gearing Ratio- the balance of liabilities to fixed assets:

$$\frac{\text{Total Liabilities}}{\text{Fixed Assets}} \times 100$$

An example Arable Farm:

$$\frac{287,712}{2,745,525} \times 100$$

=10.5%

A high gearing ratio means a higher chance of going **bankrupt** in the longer term

Liquidity Ratio- the balance of current assets to current liabilities:

$$\frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100$$

An example Arable Farm:

$$\frac{292,072}{142,328} \times 100$$

=205%

If this figure is close to or below 100%, the business is in serious short term **financial difficulties**

Balance Sheets: Assets, Liabilities & Liquidity

Based on: www.farmbusinesssurvey.co.uk

