**Income Statement Instructions**

Besides the ‘Title’ tab, the Income Statement spreadsheet has several tabs including:

1. Input Sheet
2. IS Schedules
3. Income Statement
4. Estimating Costs of Production
5. Cost of Production Summary
6. Additional Analysis Metrics
7. Sensitivity

Any yellow-shaded tab, which includes 1, 2, 3, 4, and 7 from above, requires users to enter some information. Green-shaded tabs, numbers 5 and 6 from above, require no user entry.

Within the yellow-shaded tabs, users can enter information in yellow-shaded cells only. Not every yellow-shaded cell will need an entry depending on the farm situation, but information can only be entered in yellow-shaded cells.

‘Input Sheet’ tab

The ‘Input Sheet’ tab is for entering general farm information including name of farm, year, operational information, owner contributions, and sales/purchases of capital assets. Note, that any cell with a red triangle in the upper right corner has additional information. Hover your cursor over the cell and the additional information will pop up. Also note that rows 5 and 6 for the farm’s primary and secondary products produced are drop down boxes. Click on the down arrow next to the cell and select the most appropriate answer.

‘IS Schedules’ tab

This tab has schedules which are designed to workout various Income Statement values. Each schedule is self-explanatory. Not all will be needed, only those applicable to your farm. Schedule 6 (Accrual Adjustments) is required to get an Accrual Income Statement. Schedule 6 will require information from the beginning and ending balance sheet. The beginning and ending balance sheets are not a part of this spreadsheet. Schedule 7 (Raised Breeding Livestock) will also be required if your farm has raised breeding livestock. Finally, Schedule 3 (Estimates of Economic Depreciation) is not required but may be very helpful if you don’t have a separate depreciation schedule. Note, except for Schedule 6 (Accrual Adjustments) all other results from the IS Schedules must be manually transferred to the ‘Income Statement’ tab.

‘Income Statement’ tab

The ‘Income Statement’ tab is the prize. When this tab along with the ‘Input Sheet’ and ‘IS Schedules’ tabs are completed, the result will be a completed Cash and Accrual Income Statement. Most all entry requirements are for the Cash Income Statement. The only user entry needed for the Accrual Income Statement is economic depreciation. Much of the information needed to complete the Cash Income Statement can be found either on the ‘IS Schedule’ tab or from the Schedule F of the farm’s tax return. Column E shows the line item on the Schedule F that corresponds with the Income Statement line item. For some line items, column D references the schedule for determining the value on the ‘IS Schedules’ tab.

‘Estimating Costs of Production’ and ‘Cost of Production Summary’ tabs

The completion of the first three tabs – ‘Input Sheet’, ‘IS Schedules’, and ‘Income Statement’ – results in a completed Cash and Accrual Income Statement. Further, the tab titled ‘Cost of Production Summary’ and ‘Additional Analysis Metrics’ provides some costs of production measures.

However, there is always a challenge in calculating costs of production on multi-product farms. For example, a dairy farm may also have costs and revenues associated with the sale of cash grain crops. Thus, when costs are added up and divided by the number of cows to get a cost of production per cow, it includes costs associated with growing cash grain crops and thus is not an accurate cost of production for the cows.

A solution to this challenge is to segregate the total costs found on the income statement into just those associated with the primary product (as entered on the ‘Input Sheet’ tab) and, if applicable, those associated with a secondary product. The ‘Estimating Costs of Production’ tab enables users to do this.

Total expenses from the ‘Income Statement’ tab are automatically carried over into columns C and D of the ‘Estimating Costs of Production’ tab. Users must enter the percent of each line-item expense that is associated with the primary and, if the user wishes, a secondary product. The results of this work are summarized on the ‘Cost of Production Summary’ tab in the corresponding orange and blue shaded areas.

The ‘Estimating Costs of Production’ tab also enables users to determine costs of production for a single activity or cost center using the same process of entering the percent of each line-item cost that is associated with that activity or cost center. For example, a dairy farm may be interested in analyzing the costs of production for raising replacement heifers.

‘Additional Analysis Metrics’ tab

This tab does not require any user entry. All information needed is pulled from other parts of the spreadsheet. This tab provides some commonly used metrics for analyzing income statements.

‘Sensitivity’ tab

The ‘Sensitivity’ tab is a place to play “what if”. Total accrual costs of production are automatically carried over to this tab (cell G7) as is total number of sales units of the primary product (cell D10). The user can then play “what if” by changing the costs of production and/or changing the level of production. The body of the table shows the breakeven price needed given the estimated costs of production and levels of production. In addition, users can enter a profit goal (cell G4). The resulting breakeven price will now include not only the coverage of costs, but also the coverage of the profit goal.