

FBP Module 5: Projected Income & Expense

Prelude:

In this module we are focusing on creating a cash flow projection. While we may be reviewing steps previously discussed, these are important functions to understanding the integration and the flow of information in Web Equity Manager®.

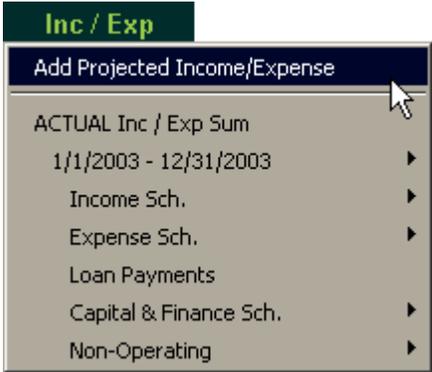
Things To Remember:

Web Equity Manager® can do either an annual or a monthly cash flow projection. A monthly cash flow is nothing but an annual cash flow spread out over a specified period of time. It calculates two additional pieces of information that an annual cash flow does not; 1) the Line of Credit (LOC) balance each month and 2) based upon this balance, what the interest expense is. On an annual cash flow the interest expense for the LOC is a number that you enter manually. For this module we will build an Annual Cash Flow.

Getting Started:

1. Log into the Web Equity Manager®.
2. Access your customer record.
3. Click “Inc / Exp” on the menu bar and “Add Projected Income/Expense.”

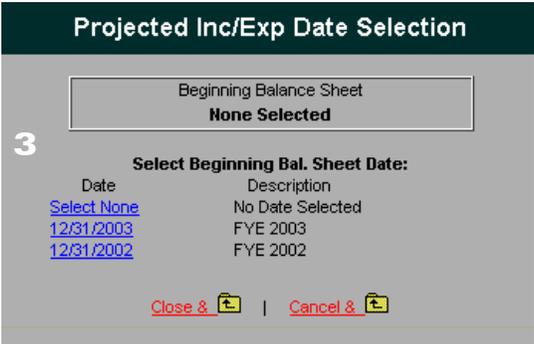
The top section of the Inc/Exp menu is where projections are entered. Remember, you can enter as many projections as you would like. You also have the ability to do an annual or monthly cash flow.



This displays the “Projected Inc/Exp” section where you will enter some basic information described on the following page. The numbers on the graphic below match the numbers in the list on the next page.

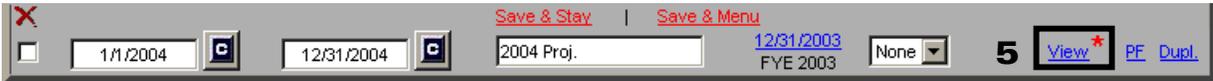


1. Enter the "Beg Date" of 01/01/04.
Enter the "End Date" of 12/31/04.
2. Enter a "Description" of your choice.
3. Choose a beginning balance sheet date by clicking on the "None Selected" link. Doing so displays a pop-up window (shown right) that displays the balance sheet dates previously entered for this customer. Click on the 12/31/03 balance sheet and click the "Close & ↵" link.

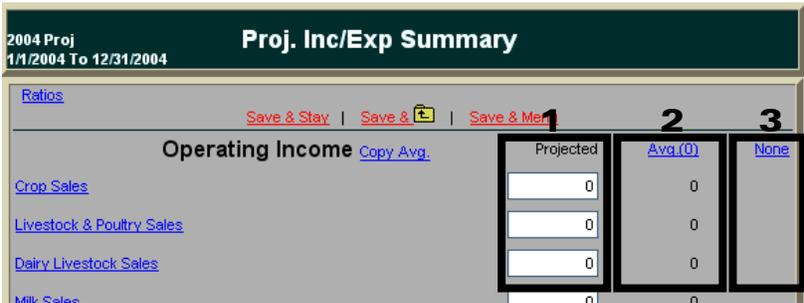


Remember: The balance sheet you choose here determines the loan payments that get serviced in the cash flow projection.

4. Click the "Add" link.
5. Click the "View" link to enter the "Projected Inc/Exp Summary" section year.



Each cash flow projection has three columns of information on the right side of the screen; 1) the projected year itself, 2) the average column, 3) and the prior years actual or variance column. For this module we will focus mainly on the projected year information. You will see summary data (input fields in column #1) and access to detailed information via the schedules (the links on the left side).



Data Entry Exercise:

Cash flow projections are the most complicated part of any financial analysis. There are two common terms that describe the majority of them; creating a cash flow based upon a typical year vs a non-typical year. Typical year is usually defined as ending the year with the same inventory quantities as you started the year. A non-typical year is where inventories are changing usually because of a major change in the operation. For this example we will use a typical year approach. Enter the following information in the appropriate categories for the projected year.

Operating Income

This form is available electronically:

Form Approved - OMB No. 0560-XXXX

FSA 2038 (proposal 3) FARM BUSINESS PLAN WORKSHEET Projected Income and Expenses (See Page 3 for nondiscrimination statement and public burden statement)	U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency
E. For Production Cycle Beginning: _____ 20____ Thru: _____ 20____	A. Name B. Social Security or Tax ID No. C. Address (Include City, State, Zip) D. Contact Phone No. (Including area code)

PART A - INCOME

1. Crop Sales

1A. Description	Production				1F. Farm Use	Purchases			Sales		
	1B. Acres	1C. Yield	1D. % Share	1E. # Units		1G. # Units	1H. \$/Unit	1I. Total \$	1J. # Units	1K. \$/Unit	1L. Total \$
<i>Corn</i>	<i>275</i>	<i>150 bu.</i>	<i>100</i>	<i>41,250</i>					<i>41,250</i>	<i>2.15</i>	<i>88,688</i>
<i>Cotton</i>	<i>100</i>	<i>750 lb.</i>	<i>100</i>	<i>75,000</i>					<i>75,000</i>	<i>.52</i>	<i>39,000</i>
<i>Soybeans</i>	<i>350</i>	<i>45 bu.</i>	<i>100</i>	<i>15,750</i>					<i>15,750</i>	<i>6.25</i>	<i>98,438</i>
<i>Wheat</i>	<i>90</i>	<i>40 bu.</i>	<i>100</i>	<i>3,600</i>					<i>3,600</i>	<i>4.25</i>	<i>15,300</i>

2. Livestock & Poultry Sales

2A. Description	2B. Purch/Raised	2C. # Units	Purchases			2G. Death Loss	Sales			
			2D. Weight	2E. \$/Unit	2F. Total \$		2H. # Units	2I. Weight	2J. \$/Unit	2K. Total \$
<i>Cattle - Beef</i>	<i>Purchased</i>	<i>129</i>	<i>700 lb.</i>	<i>.85</i>	<i>76,755</i>		<i>129</i>	<i>1,200 lb.</i>	<i>.82</i>	<i>126,936</i>
<i>Hogs - Market</i>	<i>Raised</i>	<i>490</i>					<i>490</i>	<i>240 lb.</i>	<i>.40</i>	<i>47,040</i>

3. Dairy Livestock Sales

3A. Description	3B. Purch/Raised	3C. # Head	Purchases			3G. Death Loss	Sales			
			3D. Weight	3E. \$/Unit	3F. Total \$		3H. # Units	3I. Weight	3J. \$/Unit	3K. Total \$

4. Milk Sales

4A. Description	4B. # Head	4C. Production/Head/Year	4D. Total Production	4E. Price	4F. Sales \$
<i>Dairy - Milk</i>	<i>63</i>	<i>15,000 lb.</i>	<i>945,000</i>	<i>\$11/cwt.</i>	<i>103,950</i>

5. Livestock Product Sales

5A. Description	5B. Production	5C. Measure	Sales		
			5D. # Units	5E. \$/Unit	5F. Total \$

Operating Income (Cont.)

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PART A - INCOME (Continued)			
6. Ag Program Payments	\$ Amount	8. Custom Hire Income	\$ Amount
	20,000		2,479
7. Crop Insurance Proceeds	\$ Amount	9. Other Income	\$ Amount
			10,000
		10. Total Income	475,076

Operating Expenses

PART B - EXPENSES			
	\$ Amount		\$ Amount
11. Car & Truck	2,000	23. Rent - Land/Animals	40,000
12. Chemicals	21,000	24. Repairs & Maintenance	20,000
13. Conservation		25. Seeds & Plants	19,000
14. Custom Hire	6,000	26. Supplies	
15. Feed Supplement	40,000	27. Taxes - Real Estate	8,000
16. Feed Grain & Roughage		28. Utilities	7,500
17. Fertilizers & Lime	22,000	29. Veterinary/Breeding/Medicine	7,000
18. Freight & Trucking	18,000	30. Other Expenses	7,500
19. Gas/Fuel/Oil	10,000	31. Other - Irrigation	14,000
20. Insurance Expenses	13,000		
21. Labor Hired	33,000		
22. Rent - Machinery/Equipment/Vehicles	1,500	32. Interest	52,772*
		33. Total Expenses	342,272*
PART C - NON-OPERATING			
34. Owner Withdrawal	45,000	36. Non-Farm Income	15,000
35. Income Taxes	10,000	37. Non-Farm Expense	
PART D - CAPITAL			
39. Capital Sales		40. Capital Expenditures	
		Tractor Purchase (use schedule level input)	25,000
PART E - ACKNOWLEDGMENT			
<i>I agree to follow this plan as outlined above and on attached schedules, and to discuss with the agency loan official any important changes that may become necessary. This is a projected plan and does not release the security interest of the government in any security referred to in this plan. I recognize that making any false statements on this Farm Business Plan or any other loan document may constitute a violation of federal criminal law.</i>			
41A. APPLICANT'S SIGNATURE		41B. DATE (MM-DD-YYYY)	
41C. CO-APPLICANT'S SIGNATURE		41D. DATE (MM-DD-YYYY)	

* Your screen will not match these totals until you complete the data input on the next page. Both amounts will calculate for you automatically.

Operating Expenses (Cont.)

To enter the following data click on the “Loan Schedule” for the 12/31/03 Balance Sheet. Enter the data under the “New Loans” section of the Loan Schedule.

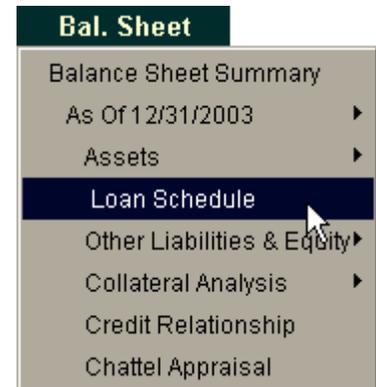
Term loan advance: 20,000

Term loan advance by FSA to finance the tractor purchase.

This is to be set up at 6.75% interest, Intermediate loan with equal annual payments of 4,845.

New Operating Loan: 100,000

New Operating Loan advanced by FSA to finance next year’s Operating Expense. 100,000 Advance Amount, 8% interest, Non-Revolving, Interest Pmt. of 8,000, Principal Pmt. of 100,000.



You are now finished with this data entry exercise.

NOTE: The customer record you were just working in will be used throughout the training modules. The data input you do in one module is built upon in each subsequent module. Therefore, it is critical that you make no changes to this record outside of what you are instructed to do in the data input exercises.

Your next step will be to go to the eLearning Center to take the test for this module. While taking the test it may be necessary to refer back to your Web Equity Manager® input. It is recommended that you leave the browser window open where you were just working in Web Equity Manager® and open a second browser window now for the eLearning Center to facilitate easy switching between the two applications.

- In the new browser window you just opened, proceed to the ECI eLearning Center at <http://elearning.onlineequity.com>. **NOTE:** This resource has also been added to your “Favorites” list.
- eLearning instructions:
 - Log into the eLearning Center using the same User ID/Password you used to access Web Equity Manager®.
 - Click on the “My Classes” link.
 - Below the module you just completed click on the “Test Now” link.
 - Answer each question. When you have answered all of the questions click “Grade Now.”
 - After reviewing the test, click “↑” in the top right corner of the screen to return to the “My Classes” screen where you may retest if desired.
 - On the right side of the screen, under the “Rate Class” column, click the link for the module you just completed. Complete the feedback form. When finished, click the “Save & ↑” link.
 - Log out of the eLearning Center and out of Web Equity Manager when finished.

You are now ready to attend the next module.