Activity 1: Evaluate capacity of current accounting system to provide accrual income, cost/market value balance sheets, cost of production and managerial accounting type reporting formats

Resources/Teaching Strategy: Review sophistication of current balance sheet, income statements and enterprise reports and determine how these are generated. Computer generated? Accountant prepared? Producer involvement and understanding of how put together? Has producer used enterprising? Is there an understanding about the difference between enterprising and MA? Can producer generate consistently a cost of production for key commodities raised? This is an excellent item to survey in a group.

Activity 2: Review FFSC Guidelines; audit compliance of reporting formats and analysis methods

Resources/Teaching Strategy: Order hard copy or download guidelines from www.ffsc.org; review format and approach producer uses to prepare financial reports and ratios. Compare producer statements with Appendix A & B of guidelines.

Activity 3: Complete 5-year trend analysis of key financial data and ratios; prepare interpretative discussion of trends and major factors that have contributed to performance changes

Resources/Teaching Strategy: “Understanding Financial Ratios” published by Farm Credit System; numerous academic resources available; farm management websites at several land grants have models to do this with varying degree of sophistication.

Activity 4: Simulate alternative operating/strategic shifts—analyze impact on OPM, ATR, ROA, and ROE

Resources/Teaching Strategy: Use the Dupont Financial Model (available in most financial management textbooks; Excel model available from AEC-Centrec); Mike Boehlje strategic planning materials; Wittman Case Study-Analyzing Impacts of Alternative Strategic Shifts. Have growers develop alternative strategic or operational shifts and simulate impact of change on key financial ratios.

Activity 5: Review producer’s management/accountability structure and assess potential to measure performance in manageable segments

Resources/Teaching Strategy: Review or create for the farm operation an organization chart, job descriptions Identify manageable segments, review reporting relationships, and determine if accountability is clearly assigned to segment managers. Wittman guidebook contains sample job descriptions or organization design applications.

Activity 6: Complete compensation summary for key management personnel

Resources/Teaching Strategy: Use Compensation Summary (Wittman Excel Worksheet) or other tools to summarize total value of salary, wages and employee benefits (cash and non-cash); compare to hours
and days worked to assess compensation per work unit; evaluate pre-tax off-farm salary equivalent managers would have to have to earn to equal current farm compensation package value. This analysis is a key step in helping producers to analyze labor overhead costs.

**Activity 7: Set performance goals, indicators to be used for performance measurement, & performance appraisal plan**

**Resources/Teaching Strategy:** Lots of tools available in business world; will find almost no adoption of this management practice in farm production (especially amongst family business partners/managers). See Wittman guidebook for sample evaluation systems.

**Activity 8: Familiarize producers on standardized definition and use of key accounting terms: direct vs indirect costs; fixed vs variable costs; cash vs accrual vs economic analysis; costs versus expenses**

**Resources/Teaching Strategy:**
Each of these terms will be clearly defined in the Managerial Accounting guidelines to be published on the ffsc.org website. Definitions can also be found in most financial management and managerial accounting textbooks.

**Activity 9: Review sample cases that illustrate how managerial accounting systems can be implemented in alternative farm production systems**

**Resources/Teaching Strategy:**
The FFSC’s guidelines will include sample case studies for alternative production types. These cases illustrate how to identify management intent; different types of cost & profit center combinations; proposed MA center design solutions; and sample financial data illustrating what the output of an MA system might look like.

**Activity 10: Design and complete cost and profit centers needed to aggregate farm transactional data**

**Resources/Teaching Strategy:**
After reviewing sample cases, producers pick up rather quickly on the concept and should be capable of identifying an appropriate mix of cost and profit centers and their inter-relationships that fit their operation. Complete cost and profit centers for historical data using FFSC formats, first; then move to current year data. If a pre-designed worksheet is preferred to get producers started, instructors can use the Wittman/Farquharson Excel worksheet (targeted for grain producers) to begin designing cost and profit center report formats and recording historical data to gain experience with actual historical data.

**Activity 11: Develop an allocation system and sequencing order for allocation indirect costs**

**Resources/Teaching Strategy:**
See FFSC guidelines for concepts and examples; Excel Center Design worksheet can also be used to begin recording this information.

**Activity 12: Identify areas/practices for handling transfer pricing on your farm – develop MA solution**

**Resources/Teaching Strategy:** Define areas in the farm where transfer pricing is an issue (i.e. raised grain fed to livestock or used for seed); develop procedure and pricing policy for how transfer pricing transactions will be recorded in accounting system. A helpful exercise is to have producers diagram all
the inter-entity transactions that occur in their business operation and describe what transactions occur between these entities or business divisions and how and when the transactions are priced and paid.

**Activity 12: Experiment with Work-in-Process (WIP) to track direct input costs**

**Resources/Teaching Strategy:** Many producers have limited exposure to WIP—most commonly through use of the term “Investments in Growing Crop.” The challenge is to help the producers see how a properly designed accounting system can generate these numbers through the transactional entry process as an “inventory asset building” process, rather than expensing all costs of production, then “plugging” this number onto a balance sheet outside of the transactional entry process.

**Activity 13: Study the mini-cases and concepts covering Handling Unusual Transactions**

**Resources/Teaching Strategy:** This issue is discussed thoroughly in the FFSC guidelines. The examples drive home the extensive attributes that are needed to describe a transaction. And they illustrate the differences between revenue, costs and adjustments or recovery of revenue/cost.

**Activity 14: Have producers complete Sample Transactions identifying all “transactional attributes” required to fully describe accounting entries in a Managerial accounting system**

**Resources/Teaching Strategy:** Develop sample list of very diverse accounting transactions and have producers practice entering data in their accounting system. Instructors can use Wittman Case Study on “Recording Attributes of Accounting Transactions.” This is an excellent exercise to walk a group of producers through and have them complete the entries. It drives home the conceptual thinking process that must be present in the person assigned to making the entries into the accounting system. If it goes in wrong, the entire integrity of all the output is jeopardized.