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## A Need of Farm Records and Accounting in Agriculture Sector

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**Abstract:** *The importance of records and account to evaluate the farm performance enterprise, managerial control, budgeting, gains and losses and also to enable bank loans to be obtained if the farmer deems it fit cannot be overemphasized. This article aims at analysing the activities of the farmer on the farm of any type practiced in both physical and monetary terms. In India agriculture income is tax free with some conditions. But assessing officer want to see the record that it is essential for former to produce the Accounts. Therefore it is advisable to all big farmers to maintain the agriculture accounting books. In India agriculture is operated and maintained by family of farmers. The proper financial accounting is not maintained in agriculture. Attention should be given on proper accounting in agriculture. The incomplete records are maintained on cash basis. Proper maintenance of accounts is useful for owners, government and research agencies. Government decided subsidy for fertilizers, manures and for other activities based on proper maintenance of records. The accounts should be classified to ascertain cost of each crop, to compare various crops productivity, profitability and measure the effectiveness of allied activities. Lack of proper farm management and accounting system are the main reason for low productivity. The people are still demanding that agriculture should be treated as industry in India.*

**Keywords:** *Farm records, Agriculture accounting, Employee satisfaction and Farm management.*

### 1. INTRODUCTION

Record keeping is a necessary element of good livestock business management. With no written records, farmers have to depend on their memory while making decisions regarding their farm practices. There are several useful records such as production and financial transactions in the dairy enterprise. Mahatma Gandhi said that the soul of India is living in villages. The problem of water, power and the manpower making the farming uncertain in India. Hence the farmers are still poor in India. But acceptations are every ware and in India, some of the farmers are also very rich. Therefore, it is very necessary to force them to make farm accounting. And turn the farming into industry. The food grains are providing people for their livelihood and the foreign currency is earned by exporting the food grains. The high labour employment is also provided by the farming. It is essential to maintain accounts of agriculture farm. Farmers also need to be financial managers; that means keeping accurate farm records and establishing and maintaining a proven record keeping system. Farmers need an accurate farm records system, bookkeeping, and financial planning system to track all of the farms business activities. Thought agriculture income is tax free in India. Subject to certain stipulation. An accessioning officer may call for information on agriculture income. No doubt, an average farmer in our country is illiterate. Illiteracy is not an excuse to avoid accounting.

Though India's economy has been re-cording rapid industrial progress yet it still is based principally on agriculture and more than 75 per cent people of the country are directly or indirectly engaged in this profession. There are more than 700,000 villages in the country which are engaged in by agriculture base activities. Major share of the national income of the country is contributed by agriculture. In spite of all these, productivity in the agricultural sector has not been increase as growth witnessed in other sector of economy. Many factors are responsible for the low productivity of agriculture but one point that can mainly be attributed to it is the "farm management" which has received far less attention than the industrial and business management. In spite of the fact that agriculture plays the most significant role in our economy, no comprehensive, detailed and systematic accounting methods, and costing system and management techniques has been developed for this industry.

### 2. OBJECTIVE OF THE STUDY

The main objectives of this study are,

- \* To know about the farm records and accounting procedures.
- \* To determine the various accounting techniques and productivity measurement in agriculture field.
- \* To ascertain the various reasons and benefits for keeping farm records.

### 3. AN EVOLVING NATURE OF FARM ACCOUNTING

Many people might associate farming with getting back to the land. But the fact is that farming has changed; the long lonely days without electricity, running water, a radio, and central heating is long gone. Today's agricultural operations are much more modern and business-oriented. To be successful, farmers need to be good producers. Farmers also need to be financial managers; that means keeping accurate farm records and establishing and maintaining a proven record keeping system. After all, keeping good farm records does more than help get you prepared come tax season. Farmers need an accurate farm records system, bookkeeping, and financial planning system to track all of the farms business activities. Keeping the books up-to-date is critical to overall farm management and ongoing profitability.

### 4. FARM RECORDS AND ACCOUNTING

It is always said that Indian cultivator is good Producer rather than good business man. He knows how to produce but he does not know how to keep accounts of the farm. It is therefore very necessary to have sufficient knowledge about farm accountancy in order to handle the farm business efficiently. The farm accounting or accountancy is also called as "Farm Book keeping". The Farm Accountancy or Farm Book Keeping is a matter of Farm Business Analysis. Therefore farm business analysis is done by following three steps :

FARM BUSINESS ANALYSIS		
Prop recording of accounts and activities	Analysis & Interpretation	Presentation of Results
* All the transactions are properly recorded in relevant books. Therefore aspect wise record books are to be maintained. Proper recording of data will be useful further analysis purpose.	* The collected data is raw data. Under this second stage, farm accounting begins with determination of the proper measures of income and computation of management and efficiency factors for the farm.	* Finally tabulation and charts are made to show the factors which affect the farm success and failure so that an individual farmer by comparing his performance with these mousers or standards may be able recognize his weak points and take necessary steps for improvements.

### 5. ACCOUNTING PROCEDURE REGARDING FARM TRANSACTIONS

In recent years, commercial farming has been assuming great importance. Agricultural activity is a predominant activity in India. Farming activities now comprises not only of growing crops but also include animal husbandry, poultry farming, sericulture (silk worm breeding), pisciculture (rearing fish, floriculture (growing flowers) etc. Thus, farming, these days, is basically mixed farming.

In advanced countries like the UK and the USA, commercial farming is being done on a large scale and hence farm accounting has also become popular and developed. However, in our country, farm accounting is of recent origin. A standard form of accounts for recording, fanning transactions has yet to develop.

RECORDING FARM TRANSACTION	
<ul style="list-style-type: none"> <li>• Farm Accounting</li> <li>• Accounting for Farms</li> <li>• Profitability of crops</li> <li>• Books of accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Cost and revenue</li> <li>• Treatment of specific items</li> <li>• Apportionment basis for common costs</li> <li>• Preparation of final accounts</li> </ul>

### 6. IMPORTANT ACCOUNTING TECHNIQUES

#### Accounting Techniques :

From the small farmers we except that he should keep in income & expenditure record to assess his financial

position. But it is not enough for a big farmer. He should keep his record according to various accounting tools & techniques. These are:

VARIOUS ACCOUNTING TECHNIQUES		
Financial Accounting	Cost Accounting	Management Accounting
*In Financial account he should create ratio analysis, trend analysis etc.	*In Cost Account he should keep cost analysis, process costing etc.	* This is a decision making accounting hence farmer should maintain the budgetary accounting, standard accounting, marginal costing, stock analysis including ABC analysis.

## 7. REASONS FOR KEEPING FARM RECORDS

There are various reasons why a farmer should keep farm records. The reasons may be summarized as follows:

- \* Farm records are used to evaluate the performance of any farm or farm enterprise within a given period of time. Farm records will enable the farmer to know what each enterprise contributes to the overall progress of the farm.
- \* Records are an aid to managerial control. With the help of records, a farmer can keep a close check on whether work on his farm is going according to his plans. For instance, he can check on whether he is using too much animal feeds or too much seed or whether crop and livestock yields are falling. It is important to detect where farm activities are going wrong quickly so that they can be put right before losses occur.
- \* Farm records provide figures for farm planning and budgeting. A farmer making plans to modify his farming activities needs to know what yields he can expect from crops and livestock and what costs and receipts he is likely to get.
- \* Farm records tell a farmer how much he is earning.
- \* Farm records tell the farmer where he is gaining progressively or loosing.
- \* Farm records enable the farmer obtain loans from banks and other financial houses. Banks normally give loans if only a farmer can produce adequate physical records with the corresponding accounting records as well as the overall farm plan. This is necessary and beneficial to both the bank and the farmer for the good use of the loan which must be repaid with interest.

## 8. BENEFITS OF ACCURATE FARM RECORD KEEPING

Below are just some of the benefits of keeping farm records accurate and up to date.

Accurate Farm Record Keeping	
<ul style="list-style-type: none"> <li>• Measure efficiency and progress</li> <li>• Easier to prepare accounts at year end</li> <li>• Help plan for GST/HST payments</li> <li>• Avoid over/under tax payments</li> <li>• Identify strengths and weaknesses in the farm business</li> <li>• Help manage changes and improvements in the agribusiness</li> <li>• Make productivity projections</li> <li>• Make productivity projection</li> </ul>	<ul style="list-style-type: none"> <li>• Help maximize the expenses you claim and minimize tax burden</li> <li>• Make it easier to pay employees and creditors and see what is owed</li> <li>• Simplify process if you want to get a loan or sell the business</li> <li>• Easier to distribute profits to shareholders (dividends)</li> <li>• Quicker for partnerships to view profits and losses</li> <li>• Make it easier should the business get audited by Canadian Revenue Agency</li> </ul>

## 9. OUTSOURCING FARM RECORDS TO A TAX CONSULTANT

Farming is a labour-intensive job, and some farms do not have anyone with the time or background in accounting. On top of that, farms have become larger and more complicated. Outsourcing tax planning, tax preparation, bookkeeping, accounting, and financial planning services means keeping up to date with record keeping. It also ensures the business is up to date with any changes in Canada's ever-changing agricultural tax codes; this can save the farm time and money.

## **10. PRODUCTIVITY MEASUREMENT**

As in the case of industrial and commercial concerns, management techniques and accounting (financial, cost and management accounting) can help to reduce cost and increase productivity in the field of agriculture also. In fact, for accounting purposes agricultural sector should have been paid greater attention than the industrial sector not only because agriculture plays a bigger role in the economy but it also supplies raw material for the industries. The rise in investment and with the greater use of modern machines and equipment in agriculture, the role of accounting and management techniques has increased a great deal. In India, the characteristic of agricultural units can be said to be typically as a family type farm. Unlike the USA and other Western countries these family-type farms are not operated and managed in a business-like manner and therefore, proper accounting for agriculture has received scant attention. Either farmers (especially).

## **11. PROPER MAINTENANCE OF RECORDS**

The records maintained by the farmers should be so designed as to show the cost of production of each unit separately and also the cost of the finished products. The farm accounting system should be divided into sections based on production units, such as various crops, live-stock and other expense categories based on location. Since most farms are still basically family- owned, with book-keeping done by a member of the family, the specific records should normally be those which will provide, with a minimum effort, all the information the farmer must have. Like accounting for industrial and commercial concerns, the main object of farm accounts is to ascertain operating results of the agriculture.

## **12. SOME USEFUL SUGGESTIONS TO KEEP THEIR RECORDS**

- \* Bank loans should be given to farmers annually to encourage accountability.
- \* Illiterate farmers should employ family members who are educated for record keeping.
- \* There should be massive campaign from government agents encouraging farmers to keep records.
- \* There should be low taxation charges from government for farmers who keep farm records.
- \* Government at all levels should only distribute fertilizers, agro chemicals and other subsidized farming tools to only farmers who keep their records.

## **CONCLUSION**

The farms records and accounts are important tools in farm management and are in fact, the sine- quanon of effective farm management, farmers all over the world at whatever level should be encouraged to keep records of all the activities carried out on the farm from the beginning to the end of each farming season and be accountable for effective present and future performances. In Indian villagers literacy rate is very low. Among youth 49% are touching the literacy rate. As we know 63% Indians are depending on agriculture and most of the villagers are employed in this sector. A big farmers wealth is as good as small scale industries. But he has not maintaining his accounting system. If a good developed farm accounting is use then the present scenario of agriculture will change.

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