

## **DECEMBER: ITS INVENTORY TIME**

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It's nearly December, so it's time for DBAP participants to plan to take inventory.

**WHY TAKE INVENTORY?** DBAP operates with the accrual methodology. Cash flow accounting keeps one abreast of cash transactions which can, in certain situations, give an incomplete impression of your business management performance. For example, if your cow numbers have declined due to the high cost or unavailability of replacements, you are delaying a cost of operating the business, ie, maintaining the herd size. Our accrual method reports all transactions, whether or not payments have been made or received. Also, changes in inventory are reported. With use of the accrual method, DBAP better helps you understand your true costs of producing milk and the return for your efforts.

### **WHEN DO YOU INVENTORY?**

C December 31, 1999

### **WHAT DO YOU INVENTORY?**

- C accounts receivable and payable
- C current market value of assets
- \$ current balance of liabilities
- \$ for each loan, list the total amount of principle payments during 1999 and total of scheduled payments for 2000
- C current inventories of cattle, equipment, feeds and supplies
- C how land was used in 1999; number of acres and how allocated, crops grown and tons of feed harvested
- C labor involved
- C total pounds of milk sold in 1999
- \$ IRS depreciation claimed for equipment, cattle and buildings

Taking inventory is a necessary task if you desire to know the true cost of your production operations. It's time to plan to set time aside to accomplish this task.