

Sleuthing Cash Discrepancies in Schedule F Cash to Accrual Analysis and FINAN

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There are always those tricky situations that leave you scratching your head on how to get a customer's year end analysis balanced when it comes to cash in and cash out. Whether you are using the Schedule F Cash to Accrual Analysis or the Financial Analysis (FINAN) there are some common culprits to track down cash discrepancies in these tools.

Using Schedule F Data

First, if the Schedule F tax form is your main data source for income and expenses, remember tax reporting purposes does not always follow cash in and out of the business in a year. This leads to many of the common discrepancies. Let's consider five situations coming from the Schedule F tax form:

1. **Feeder livestock purchases** – This is found on Schedule F line 1b. This is one instance where the tax form attempts to make an accrual adjustment by asking for the cost or basis of the items sold in line 1a. FINPACK will make this adjustment a different way so it needs the cash purchases during the year of all feeder livestock, not just the purchase cost of what was sold that year.
2. **Patronage dividends** – This is found on Schedule F line 3b. Cash dividends should be entered in FINAN. The non-cash portion of patronage dividends is added to the co-op equity on the balance sheet. The Schedule F Cash to Accrual Analysis will handle this entry correctly.
3. **CCC loans** – CCC loans reported under election or taken as income are the issue. CCC loans reported on Schedule F line 5a are being treated as income for tax purposes. FINPACK always treats CCC loans as a loan. This situation has many possible outcomes, so we have a separate article on it. Look for "Handling CCC Loans as Income" in the FINPACK Knowledge Base.
4. **Cull income** – cull breeding livestock income is not found on the Schedule F, but on Form 4797. Remember the gross sale price of cull livestock needs to be included in your data entry to balance cash receipts.
5. **Hedging gains or losses** – you will want a copy of the 1099-B Proceeds from Broker and Barter Exchange Transactions. The total from Box 8 is entered in the Schedule F Cash to Accrual Analysis under net hedging detail. This is the aggregate profit or loss on contracts. For FINAN,

the total from Box 11 is entered. If the net is positive, it is entered as a FINAN hedging withdrawal. If the net is negative, this is entered as a hedging deposit in the FINAN.

Other Common Situations

Other common discrepancy troubleshooting areas include:

- Missing capital purchases or capital sales – is the ending balance sheet accurate?
- End-of-period transactions
 - If there are prepaid expenses, are those reflected in the checking account balance or in the operating loan balance?
 - Are there any deferred sales? This would be the case where the product was delivered but the income was deferred until the following year. This should either be entered on the ending balance sheet as an accounts receivable, or enter the product in inventory at a specific price. Leaving the product in inventory at a specific price helps if the balance sheet will be used with a cash flow projection. This way the sale of the product can be shown in the projection.
- Deferred crop insurance proceeds – if the producer received an indemnity payment during the year, was it actually received or was it deferred into next year? Is it in the checking account or is it listed as an accounts receivable?
- Credit cards – are they being treated as a loan or accounts payable?
- Liability balances – this is particular to FINAN. Are there any discrepancies in money borrowed, principal paid, along with the beginning and ending balances?

Cash flow sleuthing is challenging, but looking for these common situations will help you identify and address where the cash went.

Another resource to help you collect the data you need is the “Schedule F Analysis Input Form” available in the FINPACK Knowledge Base. This form outlines the extra data you need from a producer, besides the Schedule F tax form and updated balance sheet.