

*The QuickBooks Farm Accounting Cookbook, Volume II:*



# **Raised Farm Production Inventories, Sales, and More...**



- ✓ Step-by-step procedures for sales, purchases, adjustments, and reports—with abundant screenshots and illustrations
- ✓ Track grain or livestock inventories in different locations (bins, etc.)
- ✓ Know what you have on hand, any time you want... get better management information, with less effort
- ✓ Manage cash sale contracts, contract deliveries, landlord inventories, and more...



**Mark Wilsdorf**

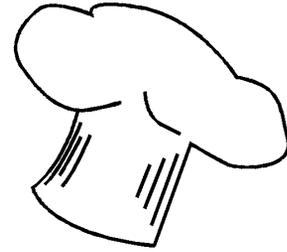
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# Introduction



## About this chapter

This chapter gives you an overview of the book and tells why you should consider keeping track of at least some farm inventories in QuickBooks.

## About this Book

*"This is not the kind of book you read cover to cover... it is the kind you read in bits and pieces, just to find out what you want to know."*

## This Book is About Cash Basis Accounting, not Accrual

This book is focused *exclusively* on cash basis accounting because (1) it is the most widely used accounting method on farms and ranches in the U.S., and (2) cash and accrual inventory procedures are often very different, which makes a combined discussion of both approaches complicated and confusing. (You will find some accrual accounting notes and comments throughout the book however, mostly to explain accounting concepts or the differences between the cash and accrual approaches.)

Also, this book is written with an eye toward something every farm business must do: keep records for preparing income taxes. All of the discussion and examples are built upon the idea that every accounting action you take must support the underlying goal of keep-

ing records which will support preparing and filing U.S. Federal income taxes.

 **Do not consider anything in this book as advice on tax-related matters.** Tax laws change often and each farm business situation is unique, so use this book as a source of ideas but seek the advice of a professional tax preparer for recommendations specific to your farm business.

Finally, if your goal is to keep accrual accounting records in QuickBooks you may glean some useful ideas from this book. However, understand that most of the step-by-step procedures *are not appropriate* for the accrual inventory and accounting tasks you need to do.



### **Even cash basis recordkeepers should use some of QuickBooks' accrual features...**

A secondary goal of this book is to demonstrate that almost every cash basis recordkeeper should consider using some of the accrual features of QuickBooks. The Bills feature, in particular, is one which most farmers should use. And in some farming operations—especially those that need to send bills to the farm's customers—the Invoices features should be used. QuickBooks has the ability to reverse the accrual effects of these features on reports, making it easy to prepare cash basis income and expense reports.



### **In case you wonder about filing QuickBooks accrual features vs. filing income taxes on an accrual basis**

Filing Federal income taxes on an accrual basis has advantages for some farm businesses, though they are in the minority. In case you are wondering whether you could have the records needed for filing income taxes on accrual basis simply by using QuickBooks' accrual features, the answer is "No".

The IRS requires using a specific approach for calculating accrual farm income and expenses, which is related to standard accrual accounting procedures but not exactly the same. Consult a tax professional if you have questions about the recordkeeping requirements for filing income taxes on an accrual basis.

## This Book is Written for the Desktop Editions of QuickBooks

All of the screenshots, examples, and procedures in this book are for the desktop editions of QuickBooks: Pro, Premier, Accountant, and Enterprise.

Specifically, the book's screenshots are mostly from the QuickBooks Pro and Premier 2016 editions. However, if you use another edition you will notice few differences and should have no trouble following any of the steps for various inventory activities. Likewise, if you have a QuickBooks version which is a few years older or newer than the 2016 editions you should be able to easily follow all of the steps in this book. (The layout of QuickBooks' menus, windows, and forms usually only changes in minor ways from year to year.)

### Why not QuickBooks Online?

 **If you use QuickBooks Online most of this book *will not* be useful to you.** The inventory features in QuickBooks Online are too different from those in the desktop editions, so most of the techniques in this book do not apply to QuickBooks Online.

QuickBooks Online is Intuit's newest accounting software product. It is completely cloud based (accessible over an Internet connection, not installed on your local/desktop computer), and differs from the desktop editions in a number of ways. Here are some reasons why this book does not deal with farm inventories in QuickBooks Online:

- ❖ QuickBooks Online's inventory system uses FIFO (first-in, first-out) inventory method, while the desktop editions use the Average Costing method. For this reason, many inventory activities must be approached differently in QuickBooks Online.
- ❖ The inventory system used by the desktop editions can be easily "bent to the purpose" of cash basis farm inventories, while the FIFO system used by QuickBooks Online cannot. Most of the simple tricks and workarounds described in this book cannot be used in QuickBooks Online.

- ❖ As this is written, many QuickBooks Online users are still unhappy with how its inventory system works. Some of the deficiencies can be remedied by purchasing add-on software for inventory management—at additional cost—but so far, none of those inventory add-ons appear to be a good fit for typical, cash basis agricultural inventories.

Flatly stated, many of the useful and valuable things you can do with inventories in the desktop editions *simply cannot be done in QuickBooks Online*—at least not yet.

 **Flagship Technologies, Inc. has a free ebook** comparing QuickBooks Online and the QuickBooks desktop editions, available at:  
 [www.goflagship.com](http://www.goflagship.com).

## Who this Book is Written "To"

This book is written to "you", with the assumption that you are someone directly responsible for keeping the accounting records of a farm business. If that is not so, I assume that you at least have an interest in farm accounting with QuickBooks. Maybe you are an Extension Service educator, a farm lender, a vocational agriculture teacher or student, or a professional accountant. The book is aimed at intermediate-level QuickBooks users, but with plenty of explanation, screenshots, and examples to let beginning users follow along with the step-by-step procedures easily.

The discussion often refers to "you" or "your" when talking about writing checks, making bank deposits, adjusting inventories, and so on. But that is just a handy, conversational way of referring to *the farm business* you are working with. You may be the owner, a partner, an employee, an advisor, or some other interested party, but the "you" actually refers to the farm business.

By the way, though this book is easy enough for beginning QuickBooks users it is not the best place to start if you are very new to QuickBooks, because it provides very little information about setting up QuickBooks for a farm business. If help with setting up QuickBooks, have a look at the first book in this series,  [The QuickBooks Farm Accounting Cookbook™, Volume I](#), available at  [www.goflagship.com](http://www.goflagship.com).

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## About the QuickBooks Farm Accounting Cookbook Series

What you are reading right now is Volume II of  [The QuickBooks Farm Accounting Cookbook™](#), part of the QuickBooks Cookbook™ series. The "cookbook" in the name comes from the way topics are presented: as detailed steps you can follow to complete a specific farm accounting task—similar to a recipe in a cookbook.



 [The QuickBooks Farm Accounting Cookbook™, Volume I: QuickBooks Basics, Income & Expenses, and More...](#) covers a variety of topics related to using QuickBooks in farming and ranching. A large portion of the book is about setting up QuickBooks for a farm business and getting started with it, including tips and ideas about how to arrange the chart of accounts, which QuickBooks forms to use and which to avoid, and so on. The rest of the book provides "cookbook" procedures for a wide range of farm income and expense transactions.



 [The QuickBooks Farm Accounting Cookbook™, Volume II: Raised Farm Production Inventories, Sales, and More...](#) (this book) focuses on sales and inventories of raised (as opposed to resale) farm production. It reveals the benefits of keeping inventories in QuickBooks for at least some of the farm's production, and shows how to get production into QuickBooks simply and easily; track inventory quantities, storage locations, forward contracts and deliveries on contracts, grain inventories for multiple landlords; handle spoilage, thefts, livestock deaths, and other inventory losses; and much more.

For information on new releases or to purchase other books in the series visit  [www.goflagship.com](http://www.goflagship.com).

### Print and ebook editions

Most books in the QuickBooks Cookbook™ series are available in both print and ebook editions. Ebook editions are readable on Microsoft Windows and Apple Macintosh computers as well as Android and Apple mobile devices (Android phones and tablets, iPhone, iPad, etc.).

## Why YOU Should be Using the Inventory Features of QuickBooks!

Your farm business could most likely benefit from using some of the inventory *features* of QuickBooks even if you don't actually want to "keep inventories". Using some of those features even part of the time—for even just one or two things your farm produces—can provide a lot of management information and other benefits for a very small investment of your time.

 **A central goal of the entire QuickBooks Cookbook™ series** is to show how to get the biggest management benefits from using QuickBooks, with the smallest investment of time and effort.

### *But I Don't Want to Keep an Inventory of Anything!*

#### Are you sure about that?

The beauty of using QuickBooks in a cash basis business is that you *do not* have to do a full-blown job of "keeping inventories for everything" to get worthwhile management benefits from using QuickBooks' inventory features—even if you only use a couple of them, and use them in a simple way. Here is an example:

- ❖ Let's assume the two major products of your farm are corn and soybeans.
- ❖ You set up two inventory Items in QuickBooks to track inventories for them—one named Corn and the other named Soybeans.
- ❖ After harvest you adjust the Corn and Soybeans Items' inventory quantities to match your estimate of the bushels of each you have on hand (in grain bins, in commercial storage, etc.).
- ❖ As the year progresses you enter corn and soybean sales in QuickBooks using the Corn and Soybeans Items. Each time you enter a sale, QuickBooks automatically updates the inventory quantity for the Item you sold.

- ❖ Throughout the marketing year you can get reports at any time, showing total bushels sold as well as the remaining bushels of corn and soybeans in inventory—available to sell or to contract for sale.
- ❖ When you prepare a balance sheet, the value of your corn and soybean inventories will be included in it automatically, as current assets. (If market prices have changed much you might want to update the value of your remaining inventories first, by making an [inventory adjustment](#)<sup>[97]</sup>. It is simple and easy to do.)
- ❖ At income tax time, the sales you recorded with the Corn and Soybeans Items will be included in totals of farm income, as you might expect. But because you recorded those sales using Items, you will also have a record of the bushels of each commodity that were sold.

Compared to just entering sales (using non-inventory Items), this minimal use of QuickBooks' inventory features makes it possible to know how much of any commodity you have sold over any period of time, and how much you have on hand at any point time. And how much extra effort was required? Only an inventory adjustment to record the quantities on hand after harvest.

### Benefits You Should Know About...

No one wants to invest time and effort in learning something without an expectation that investment will pay off. As for the subject of inventories of raised farm production, you need reasons that will make you want to continue reading! Here are some of the benefits you can gain from using the inventory features of QuickBooks. They can...

- ❖ Give you a close estimate of the quantity of grain or other inventories in storage at any time, without climbing or measuring a bin or taking a physical count, even if you have made numerous sales over a period of weeks or months. ([Common Reports](#)<sup>[189]</sup>)
- ❖ Tell you the quantity of hay, bushels of grain, or head of market livestock in different locations—in bins and commercial storage;

farrowing, nursery, and finishing units; pastures, pens, or lots; etc. ([Tracking Inventory by Location](#)<sup>[199]</sup>)

- ❖ Tell you the total bushels (or head, or pounds, or tons, etc.) you have contracted for sale, how much has been delivered on each contract, and how much remains to be delivered to fulfill each contract. ([Tracking Cash Sales Contracts](#)<sup>[215]</sup>)
- ❖ Make it easier to prepare balance sheet reports at any time, even if you only keep inventories for the major products you raise. ([Updating Inventory Values for Preparing a Balance Sheet](#)<sup>[153]</sup>)
- ❖ Help you keep track of resale items—resale livestock, produce, or other resale items—properly, for income tax purposes, automatically as you enter purchases and sales of those items. At year's end you can have totals for sales of resale items and for their purchase cost, with almost *no* additional effort. (*A book about resale inventories is planned as the next volume to be released in the QuickBooks Cookbook™ series.*)

This is not an exhaustive list of the possible benefits, but hopefully it raises your interest in learning more about the inventory possibilities for your farm business. The bottom line is that *you* decide which items you want to inventory in QuickBooks and how much effort you want to devote to "keeping inventory". The job can be as simple or as detailed as you want.

 **The big secret** is that tracking inventories in QuickBooks *requires much less effort than you might think*. You just need to know some shortcuts and workarounds to make it easy, and that's what this book is about.

## Three QuickBooks Farm Inventory Problems, and their Solutions

Despite many changes over the years, three problems remain in accounting for farm business inventories with QuickBooks. Here are descriptions of the three problems, plus descriptions of how this book will help you overcome them.

1. **Inventory feature confusion.** The easy capabilities QuickBooks has for managing farm and ranch inventories seem buried under

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etc.) but there are many kinds of resale inventories, as you will see later.

### Expense-related inventories



**Expense-related inventories** includes things like feed, seed, fertilizer, and fuel—farm inputs and supplies that are consumed by the farm business. In cash basis accounting these items are normally expensed at the time of purchase. If you write a check for seed corn for instance, you probably enter it in QuickBooks as an expense, not as an addition to seed inventory (which is what would happen in accrual accounting).

## Accounting for Raised Inventories



**Raised farm inventories are the main focus of this book**, and this section describes the workarounds necessary for handling them properly in QuickBooks, for cash basis accounting.

*The discussion is a bit heavy on accounting theory, so if you have a limited amount of accounting experience you may not fully understand everything described here. But that's OK: you *do not* need to understand all of accounting details. The step-by-step procedures found in later chapters will show you "how" to get the results you want, regardless of whether you fully understand the "why".*

## Capitalized Inventory, Part I: Assigning Asset Value to Inventories

Inventories are assets of the farm business, to be included on the farm balance sheet just as land, machinery, and buildings are. But how do inventories get assigned an asset value? Let's explore that a bit...

In accrual accounting, things get into an inventory system—and an asset value gets assigned to them—in one of two ways: (1) via purchase transactions (an inventory's purchase cost becomes its asset value) or (2) by making/raising/producing something, then adding

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## Getting information about inventories, and sales

See: [Common Reports](#)<sup>[189]</sup>

- ❖ **Current inventory quantity.** You can get information about current inventories at any time, from several different places in QuickBooks. Both an Item [QuickReport](#)<sup>[189]</sup> and a [Stock Status by Item report](#)<sup>[189]</sup> ([Reports > Inventory > Stock Status by Item](#)) are good sources of current inventory information for an Item or a group of Items.

Here is a QuickReport for the Soybeans Item, showing the current inventory quantity:

Type	Date	Name	Memo	Qty
<b>Inventory</b>				<b>0</b>
<b>Soybeans (Soybeans)</b>				
<b>On Hand As Of 12/31/2015</b>				<b>0</b>
Inventory Adjust	03/01/2016		Soybeans Inventory Adj...	4,400
Sales Receipt	06/03/2016	River Run Grain Co...	Soybeans, on contract	-1,786
Sales Receipt	07/14/2016	River Run Grain Co...	Soybeans	-1,824.5
<b>Tot On Hand As Of 07/14/2016</b>				<b>789.5</b>
<b>Total Inventory</b>				<b>789.5</b>
<b>TOTAL As Of 07/14/2016</b>				<b>789.5</b>

- ❖ **Inventory asset value.** You can also get summary or detail reports which include the value (asset value) of the current inventory. (In cash basis accounting, raised inventories are assigned a value by making an [inventory adjustment](#)<sup>[97]</sup>.)

Here is an [Inventory Valuation Detail report](#)<sup>[190]</sup> ([Reports > Inventory > Inventory Valuation Detail](#)), with soybean inventories valued at \$9.50 per bushel. If a balance sheet were prepared as of the

same date as this report, it would include an asset value of \$7005.25 for the soybean inventories:

**John Doe Farms - Visual Examples**  
**Inventory Valuation Detail**  
 January 1 through July 14, 2016

Type	Date	Name	Qty	On Hand	Avg Cost	Asset Value
<b>Inventory</b>						
<b>Soybeans (Soybeans)</b>						
Inventory Adjust	03/01/2016		4,400	4,400	9.50	41,800.00
Sales Receipt	06/03/2016	River Run Grain Co...	-1,786	2,614	9.50	24,833.00
Sales Receipt	07/14/2016	River Run Grain Co...	-1,824.5	789.5	9.50	7,500.25
<b>Total Soybeans (Soybeans)</b>				789.5		7,500.25
<b>Total Inventory</b>				789.5		7,500.25
<b>TOTAL</b>				789.5		7,500.25

- ❖ **Sales.** To see the quantity and dollar amount of soybean sales for any period of time, you can get either a [Sales by Item Summary](#) (Reports > Sales > Sales by Item Summary) or [Sales by Item Detail](#) (Reports > Sales > Sales by Item Detail) report:

**John Doe Farms - Visual Examples**  
**Sales by Item Detail**  
 January 1 through July 14, 2016

Type	Date	Memo	Name	Qty	Sales Price	Amount
<b>Inventory</b>						
<b>Soybeans (Soybeans)</b>						
Sales Receipt	06/03/2016	Soybeans, on contract	River Run Grain Co...	1,786	10.03	17,913.58
Sales Receipt	07/14/2016	Soybeans	River Run Grain Co...	1,824.5	9.84	17,953.08
<b>Total Soybeans (Soybeans)</b>				3,610.5		35,866.66
<b>Total Inventory</b>				3,610.5		35,866.66
<b>TOTAL</b>				3,610.5		35,866.66

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## Entering sales of raised livestock

See: [Sales of Raised Inventory](#)

When you receive payment at the time of a sale, enter it on the Sales Receipts form ([Customers > Enter Sales Receipts](#)). Otherwise, if selling livestock which you won't be paid for until later, or if you might need to send a bill to the purchaser, it may be preferable to enter the sale on the Invoices form ([Customers > Create Invoices](#)).

This example records the sale of part of a group of stocker cattle. Steers and heifers are listed on separate lines so the sales receipt can serve as a record of weights and prices received (not required, but useful information).

★ **Another alternative is to have separate inventory items for steers and for heifers.** That makes it possible to have separate price and quantity information for each, on QuickBooks reports.

**Enter Sales Receipts**

CUSTOMER:JOB **Big Bend Livest...** CLASS **Cattle** TEMPLATE **Custom Sa...**

### Sales Receipt

DATE: 12/06/2016  
 SOLD TO: Big Bend Livestock Auction  
 SALE NO.: 6  
 CHECK NO.:

ITEM	DESCRIPTION	QTY	RATE	AMOUNT
Stocker cattle (raised)	Steers, avg. 734 lbs.	23	983.56	22,621.88
Stocker cattle (raised)	Heifers, avg. 679 lbs.	10	869.12	8,691.20
TOTAL				<b>31,313.08</b>

CUSTOMER MESSAGE:

MEMO:

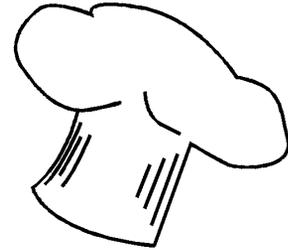
Buttons: Save & Close, Save & New, Clear

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# Inventory Nuts & Bolts



## About this chapter

This chapter is partly informational, partly reference. It shows how to set up accounts and Items for tracking inventories, how to take a physical inventory count, how to make inventory adjustments, and how to enter beginning inventories.

## ***What you NEED TO KNOW about this chapter...***

Because it is partly a reference for inventory-related activities, this chapter is chock-full of details...and not all of them are exciting! If you mostly want to *get started with inventories right now*—there's no need to dampen your enthusiasm by taking time to read the entire chapter now.

Instead, consider reading the sections about accounts and inventory Items, and just skim the rest of the chapter. Then later when you need details about a particular inventory activity, come back here to read the section or two which contains the details you need.

## Accounts for Raised Inventories

### Income Accounts

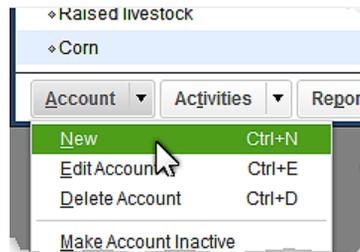
If you are already using QuickBooks you probably have some income accounts which you use for recording sales of grain, livestock, produce, etc. Those accounts will work just fine for recording sales of inventory items, too—you probably won't need to set up any additional income accounts.

Most people like to arrange their income accounts to provide the detail they want to see on profit and loss reports. Generally this means having a separate income account for each of the farm's major income-generating activities, for example:

- Grain sales
  - Corn
  - Soybeans
  - Wheat
- Raised Livestock Sales
  - Calves
  - Feeder Cattle
- Resale Livestock Sales
  - Cost of Resale Livestock
- Custom Work Income
  - Custom Combining
  - Trucking

### To add an income account:

1. Open the **Chart of Accounts** window ([Lists > Chart of Accounts](#)) and select **Account > New** from the button menu at the bottom of the window.



The Add New Account: Choose Account Type window will open.

2. Select **Income** as the account type, then click the **Continue** button.

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Corn  
 Bin 1  
 Bin 2  
 High Lysine  
 Bin 3  
 Bin 4  
 Bin 5  
 Organic  
 Bin 3  
 Bin 4  
 Bin 5

And here is an inventory report for Corn, prepared like the report above. It shows how much of each type of corn is stored at different locations.

John Doe Farms	
Inventory Stock Status by Item	
All Transactions	
Inventory	On Hand
Corn	
Bin 1	34,000
Bin 2	42,500
High Lysine	
Bin 4	8,200
Total High Lysine	8,200
Organic	
Bin 3	6,800
Bin 5	1,600
Total Organic	8,400
Total Corn	93,100

- 1 Bin 1 and Bin 2. The inventories that were lumped together as Corn - Other in the prior report above, a total of 76,500 bushels, are now split between two storage locations subitems, Bin 1 and Bin 2.

- 2 **Total Corn** is the same quantity as in the prior report, just divided among more subitems.



### Don't waste time trying for the "perfect" Item list setup.

A common mistake of new QuickBooks users is trying to set up everything perfectly from the start. The truth is, that creating the most useful arrangement of Items (or accounts, or Classes, or any other QuickBooks list) happens over time as you gain experience with QuickBooks.

So it's best to just "take the plunge" and get started—go ahead and add some Items now, even if you are not sure how the Item List should be arranged. QuickBooks offers a lot of flexibility for reorganizing lists any time you want. You can rename Items, move parent-level Items to become subitems of other Items, attach a subitem to a different parent Item, and so on.

## Setting Up Raised Inventory Items

**Problem** I need to set up some inventory Items in QuickBooks. How should I do that?

**Solution** See the steps shown below.

**Discussion** QuickBooks only tracks inventories for Inventory Part Items, so you must set up Inventory Part Items for things you want to inventory.

 **If you have been using QuickBooks for a while** you may already be using other Item types for things you sell which you now want to inventory. If so, you will need to switch to using Inventory Part Items. If you want to continue using the same Item names as you have been, you can do that. For details, see the discussion in [About QuickBooks Items](#)<sup>74</sup>.

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## Corn Checkoff

Used for recording corn checkoff expense, usually as a deduction (a negative amount) on sales forms (Sales Receipts, Invoices).

- 1 Type.** Other Charge is an appropriate type for this Item, though the Service or Non-inventory Part types could also be used.
- 2 Amount or %.** The Amount is entered as 0.01 (1 cent) in this example, to represent 1 cent per bushel. (Commodity checkoff rates may differ in each state, so your rate may be different.)
- 3 Account.** Misc.Expense:Checkoff is an expense account (assumed to already be set up).

## Storage Fees

Used for recording grain storage fees, usually as a deduction (negative amount) on sales forms (Sales Receipts, Invoices).

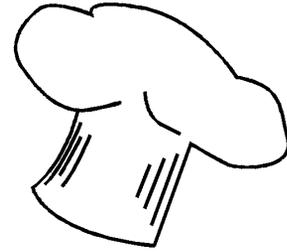
- 1 **Type.** This example is set up as a Service Item but the Other Charge type would also be appropriate.
- 2 **Rate (price).** The Rate is left as 0.00 because the price of the Item will vary.
- 3 **Account.** The Storage & Warehousing is an expense account (assumed to already be set up). Using this Item may be used a deduction amount on sales forms (Sales Receipts, Invoices) or as a positive amount on purchase forms (Checks, Bills) will post expense to the Storage & Warehousing account.

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# Production, Sales, and Common Transactions



## About this chapter

This chapter describes basic, common transactions for [raised inventories](#)<sup>151</sup>.

## Sales of Raised Inventory

### Cash Sales of Raised Inventory (Sales Receipt)

#### **Problem**

Last week I sold 2,000 bushels of corn that we had in storage at a local elevator. I received a check in today's mail for the corn. How should I enter the sale?

#### **Solution**

This is a cash sale, so enter it on the Sales Receipts form.

#### **Discussion**

Purely from an accounting standpoint, a *cash sale* means selling or delivering something and being paid immediately, and a *credit sale* means selling or delivering something but not expecting payment until later—even if "later" is only a few days later.

Cash sales are entered as a single transaction, on the Sales Receipts form. Credit sales are entered in two steps: (1) you enter the sale as an invoice (on the Invoices form) when you deliver goods or they are picked up by the buyer, then (2) when the buyer pays, you [receive payment](#)<sup>263</sup> on the invoice to "close" it (to cancel out the amount the buyer owes on the invoice).

From a practical standpoint though, things usually work a bit differently. You may not be paid for days or weeks after delivering grain to an elevator, selling livestock at auction, or letting your neighbor pick up a couple big round bales of straw from you to use for livestock bedding. So technically, these are credit sales. But if you are like most farm recordkeepers, you don't typically enter an invoice for such sales. More likely, you just wait until payment is received—i.e., the check arrives from the grain elevator or livestock auction, or your neighbor stops by to pay for the straw—then make a single entry for the sale, on the Sales Receipts form.

This is why the corn sale in this example is entered as a sales receipt rather than as an invoice.

### How to Enter a Cash Sale of Inventory

1. **Open the Sales Receipts form** ([Customers > Enter Sales Receipts](#)).
2. **Fill in the form** as shown below.

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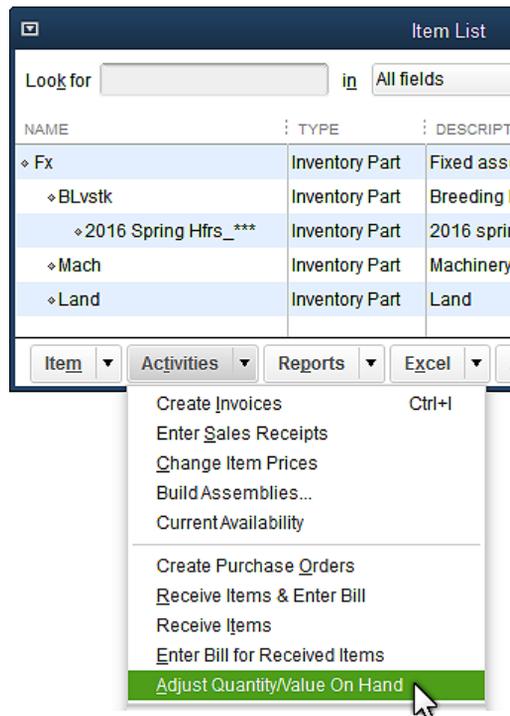
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## Moving the Heifers from Raised Livestock Inventory to Fixed Assets, and Assigning an Asset Value

These are raised heifers, so no *financial* transaction (purchase or sale) is involved in moving them to fixed assets. All you need is an inventory adjustment to (1) decrease the inventory for the raised livestock Item representing the heifers, and (2) increase the inventory for their fixed asset Item.

1. Open the Item List window ([Lists > Item List](#)).
2. Select [Activities > Adjust Quantity/Value on Hand](#) from the button menu at the bottom of the window.



The Adjust Quantity/Value on Hand window will open.

3. Fill in the inventory adjustment details as shown below.

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Inventory Item QuickReport

Customize Report Comment on Report Share Template Memorize Print E-mail

Dates All 1 From To

4:20 PM  
10/20/16

**John Doe Farms**  
**Inventory Item QuickReport**  
All Transactions

Type	Date	Name	Memo	Qty
Inventory				0
Corn				
Bin 1				
Inventory Adjust	11/04/2016		Bin 1 Inventory Adjustment	14,000
Sales Receipt	11/12/2016	Tri-States Ethanol	Weight Ticket #124337	-849
Sales Receipt	11/12/2016	Tri-States Ethanol	Weight Ticket #124353	-867.5
Sales Receipt	11/12/2016	Tri-States Ethanol	Weight Ticket #124371	-503.5
Inventory Adjust	12/31/2016		Bin 1 Inventory Adjustment	0
Tot On Hand As Of 05/24/2017				11,780
Bin 2				
Inventory Adjust	11/04/2016		Bin 2 Inventory Adjustment	22,500
Sales Receipt	11/12/2016	Tri-States Ethanol	Weight Ticket #124371 (to ...	-350
Inventory Adjust	12/31/2016		Bin 2 Inventory Adjustment	0
Invoice	05/05/2017	Tri-States Ethanol:Co...	Source of this delivery	-447
Tot On Hand As Of 05/24/2017				21,703
Tri-State Elevator				
Inventory Adjust	10/12/2016		Tri-State Elevator Opening ...	4,431.5

**1 Dates.** By default, the report only shows transactions for the current fiscal year to date. If you don't see all of the transactions you want to see, expand the report's date range. This example shows "All" transactions.

Corn - Other				0
Inventory Adjust	03/01/2016		Corn Inventory Adjustment	15,000
Tot On Hand As Of 05/24/2017				17,917 2
Sales Order	11/12/2016	Tri-States Ethanol:Co...	Corn - CONTRACTED	-396
Sales Order	12/02/2016	Rivers Run Grain Coo...	Corn	-5,000
Tot On Sales Order As Of 05/24/2017				-5,396 3
Total Corn				50,435 4
Total Inventory				50,435
TOTAL As Of 05/24/2017				50,435

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ITEM	DESCRIPTION	ORDER...	PREV. INVOIC...	BACKORDERED	INVOICED	RATE	AMOUNT
Corn	Ticket 201587	8,000	4,901.5	2,194	904.5	3.38	3,057.21
DamageDis...	Discount - heat damage						-18.09

- 1 Item. [DamageDiscont](#)<sup>87</sup> is an Item used for entering grain damage discounts.
- 2 Amount. Enter discounts as negative numbers in the Amount column, so they will subtract from the invoice total.

### However...

Waiting until [contract settlement](#)<sup>249</sup> to enter discounts or premiums is usually best. That lets you enter the net total amount of all discounts or premiums shown on the [settlement sheet](#)<sup>250</sup>, as a single line on the final invoice. That approach is simpler than entering a discount or premium on each delivery invoice. Also, you may not know the exact amount of discounts or premiums until contract settlement—another good reason for waiting until then to enter them.

### *What about weight-for-weight or shrinkage deductions?*

Some quality factors are discounted by reducing the gross quantity to a smaller net quantity, then basic contract fulfillment (and payment) on the net quantity. Foreign matter in grain, for example, is sometimes discounted weight-for-weight. If 1,000 bushels of grain were delivered and found to contain 2% foreign matter, the gross quantity

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Inventory Stock Status by Item

John Doe Farms

Inventory Stock Status by Item

All Transactions

On Hand On Sales Order Available

Inventory	On Hand	On Sales Order	Available
Corn			
Bin 1	0	0	0
Bin 2	0	0	0
Corn - Other	20,293	5,396	14,897
Total Corn	20,293	5,396	14,897

## Contract Settlement/Payment/Closeout

### **Problem**

I finished delivering the contracted corn last week and received a settlement sheet and check in the mail today. What should I do to enter the payment and close out the contract in QuickBooks?

### **Solution**

Enter a final invoice for the contract. It should include any deliveries you have not yet recorded, any discounts or deductions, and charges for storage, drying, commodity checkoff programs, or other fees. Then compare the total for all of the contract's invoices against the amount of the payment. If they do not match, correct the final invoice until they do. Finally, receive payment against all of the invoices to close ("pay off") the invoices.

### **Discussion**

The main things you need to get done are: (1) if the contract's sales order has an undelivered (not yet invoiced) quantity, create an invoice from the sales order to zero it out, and (2) make sure that the total dollar amount of invoices for the contract matches the amount of the payment you received.

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books, and the amount owed to you will be included in accounts receivable on balance sheet reports. When the payment arrives, [receive payment](#)<sup>[263]</sup> on the invoices the same as you would for any cash contract.

## Hedge-to-arrive (or "basis later") contracts

In a *hedge-to-arrive contract* the seller locks in the futures market portion of the contract price at the time the contract is entered into, then sets the basis portion later (within a time period specified by the contract) by selecting a date on which to use the buyer's basis.

Because the contract price is unknown when the contract is entered into, just use an estimated price when you [enter a sales order](#)<sup>[220]</sup> or [invoices](#)<sup>[226]</sup> for the contract. Once the contract price has been set, edit the invoice(s) you have entered for the contract and change the estimated price to the contract price.

## Minimum price contract

A *minimum price contract* establishes a guaranteed minimum price but lets you lock in a higher price if market prices move higher. The delivery period, quantity, and minimum price are established in the contract. You can lock in a price above the contract's minimum if the market goes higher *and* you exercise your option to lock in the price before a deadline date specified in the contract.

Handle minimum price contracts the same as other cash contract types, entering [sales orders](#)<sup>[220]</sup> and [invoices](#)<sup>[226]</sup> at an estimated price. Later when the contract price has been determined, edit the invoices and replace the estimated price with the actual contract price.

## Premium cost and service fees

Any costs you pay separately or up front, such as premium cost paid at contract signing, will normally be entered as a check or a bill. *Only fees deducted from the contract payment should be entered as deductions on an invoice.*

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landlord's corn for a non-zero amount would still cause problems: the sales receipt's total would post to [Undeposited Funds](#)<sup>176</sup>, where it would be available to include (incorrectly!) in a bank deposit.

(In case you are wondering, yes, \$0 sales receipts also post to Undeposited Funds. But QuickBooks does not make \$0 amounts available to deposit, so it does not cause any problems.)

## "Settling up" with Landlords After Sales are Completed

Rarely do the total bushels of sales for a landlord exactly match the landlord's inventory quantity in QuickBooks. The last truckload sold for a particular landlord may have more or fewer bushels on it than the landlord is due. Usually, either John Doe Farms or the landlord writes a check to the other, to settle up for the difference.

There are two things to keep in mind when settling up with a landlord:

- ❖ **QuickBooks inventories** need to be updated properly to close out (zero out) the landlords' inventory. Usually that requires adjusting the farm's inventories too.
- ❖ **Corn sales income** for the farm business may be affected and may also have to be adjusted.

The following examples show how to handle both considerations, in different situations.

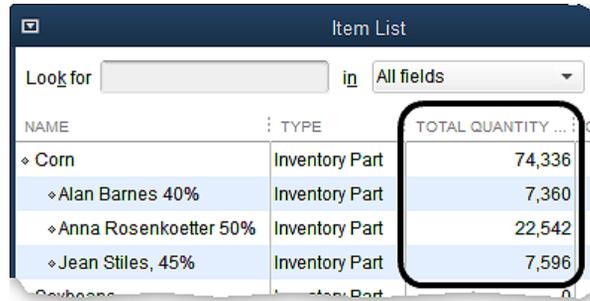
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## Getting Inventory Reports and Information

The Item List window shows inventory quantities for all landlords, and for John Doe Farms:



NAME	TYPE	TOTAL QUANTITY
♦ Corn	Inventory Part	74,336
♦ Alan Barnes 40%	Inventory Part	7,360
♦ Anna Rosenkoetter 50%	Inventory Part	22,542
♦ Jean Stiles, 45%	Inventory Part	7,596

You can get a QuickReport to see transactions for any Item, for whatever date range you select. In the Item List ([Lists > Item List](#)), click on the Item to select it, then type *Ctrl-Q* to open a QuickReport. Here is one for Alan Barnes, for the month of December, 2016:

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