

2. PRINCIPLES AND APPLICATIONS OF AGRICULTURAL ACCOUNTING

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2. PRINCIPLES AND APPLICATIONS OF AGRICULTURAL ACCOUNTING

INTRODUCTORY COMMENTS

This unit presents the main concepts of monitoring the accounts of an agricultural unit. The single-entry, double-entry and improved single-entry bookkeeping system for monitoring accounts are analyzed and the advantages and disadvantages of each one are presented. The three most popular systems of accounting are examined, the cases where each one is used as well as the books that are kept.

KEY CONCEPTS

Agricultural accounting, Entries, Single-entry method, Double-entry method, Balance sheet

TERMS

Capital Structure: the ratio of borrowed capital (loans) and own funds in an enterprise. This ratio shows whether an enterprise is independent from the aspect of capital or requires external loans.

Agricultural Operation: an economic unit that has a specific quantity of production factors which it utilizes with certain production sectors for ensuring a satisfactory income.

UNIT GOALS

After completing this unit, the trainees:

- ⇒ Will know the basic concepts and the content of accounting
- ⇒ Will realise the value of the correct and systematic monitoring of accounts
- ⇒ Will be in a position to select the method for monitoring the accounts of their agricultural operations
- ⇒ Will recognize the accounting books and the reason for keeping each one
- ⇒ Will know about the three basic accounting systems and based on the size of their agricultural operation they will be able to select which to apply

2.1 CONCEPT, CONTENT, OBJECT

Among the opinions expressed from time to time about the scientific classification of accounting, the most prevailing one is the one that characterizes it as an accurate and specific sector of science, which is supported on clear, specified and rigid rules and regulations or provisions, which usually has only one correct way of handling any problem of entries. Accounting follows as a rule the formulation and development of economic sciences and is therefore closely linked with the economics of operations.

Accounting, as a sector of economic sciences teaches the principles and regulations of the **methodical and systematic recording of the technical and economic data** of an economic organization and monitoring the changes in these data during a specific period of time, for determining the realised positive and negative economic result.

More specifically in agriculture, the object of accounting is the technical and economic monitoring and analysis of the existing organization of agricultural operations or enterprises, and the calculation of the achieved economic result, or the corresponding monitoring and analysis of individual sectors of plant and animal production, provided that the determination of their economic position in the framework of an operation or region is sought.

The main purposes pursued by agricultural accounting are three:

- ⇒ The **determination of the economic position** or standing of the agricultural operation and specifically its capital structure. This determination is justified by the fact that before starting to monitor the accounts of an agricultural operation it is necessary to discover the total value of all assets generally and of each asset separately
- ⇒ The detailed and **accurate monitoring of the changes in the capital structure** of the operation, the technical and economic data of the various sectors and production means and the various transactions during the year. This monitoring ensures the accurate calculation of the total economic result, at the same time making known the sources of origin and specifically the contribution of each independent sector of the operation.
- ⇒ The accurate **calculation of the economic result** under its various forms, whether this refers to the entire operation, or each of its sectors separately. The calculation of the economic result has been and will continue to be the most important among the purposes of accounting, because it reflects in the best way possible the entire effort of the farmer managing the operation and the reason for applying accounting to the specific operation.

Accounting is distinguished into **theoretical or general**, related to the general principles and the rules of their implementation, and into **applied or special**, related to the implementation of the general principles and rules to the individual sectors of the economy. Applied or special accounting is subdivided into private and public.

More specifically, **agricultural accounting**, characterised as an applied science, transfers the basic principles of general accounting to the complex operation of agricultural operations.

Private accounting is implemented exclusively at private operations and enterprises and aims at calculating the achieved profit and the general economic result. The appropriate adaptation of private accounting at each sector of the economy is deemed necessary for its successful implementation, due to the special problems that characterize each sector and the more particular difficulties which each sector faces. Thus, agricultural accounting was created, suitable to monitor agricultural operations, as well as commercial, industrial, bank, insurance accounting, etc.

In practice however it is not a simple transfer, since it requires many arrangements and calculations during the adaptation of the accounting principles in the changing and less defined operations of a series of agricultural production sectors of the operation. In fact, the above differentiations and adaptations are necessary, if we take into account:

- ⇒ the relatively **small size of agricultural operations**, with the managing farmers engaged both in capital investment and in offering manual labour, in combination with keeping their own accounts;
- ⇒ the fact that **agriculture is essentially a biological science** and therefore many of the observed technical changes that affect the economics of the agricultural operation are due to reasons outside the sphere of control of the farmers; and
- ⇒ the fact that the **agricultural works**, that refer to plant and animal production, **are much more composite and complex from the aspect of accounting entries**, in comparison with those of other sectors of economic activity.

Therefore, with regard to agricultural accounting, we do not refer to a simple implementation of accounting principles or a specific accounting system, but to the development of the same system of accounts or series of accounting systems, suitable for the needs of the various types of agricultural operations and types of agricultural production sectors.

2.2 METHODS, BOOKS AND ACCOUNTS

2.2.1 ACCOUNTING METHODS

Accounting, based on the mechanism of accounting entries and their systematic or non-systematic monitoring, is distinguished basically into two methods: a) single-entry and b) double-entry.

Single-entry method: This method usually refers to one account each time and does not monitor the changes of all the assets and the transactions of most accounts, except for very few (debit-credit of third persons, cash). It could be said that it is imperfect as a method.

Its greatest advantage is that single-entry bookkeeping results in small expenses for farmers for the lease and full employment of agricultural accountants.

Double-entry method: Each transaction, sets into motion two accounts at least, and two entries of equal amounts are made at the same time, one as debit and one as credit. In other words, for a single transaction, one account is debited and another is credited. In this way all accounts (mainly sectors of the operation) are monitored and updated throughout the year, and therefore the discovery of the economic result is possible not only for the total operation or enterprise but for each sector separately.

The double-entry system has the characteristic advantage that the various accounts can be subdivided without limit, providing thus the opportunity to collect material of any degree of detail, depending on the pursued purpose and the means and personnel available.

Without doubt the relative complexity presents difficulties during its implementation, in particular in the case of agricultural operations, due to the low educational level of farmers. This however is dealt in commercial and industrial enterprises through organized accounting departments, and in

agricultural operations from the constant rise of the educational level and the technical and economic education and training of those systematically engaged in agriculture.

Improved single-entry method: This method, which was created by Laur, a Swiss, especially for the needs of small and medium-sized agricultural operations, from the aspect of content, lies between the pure single-entry and the double entry systems.

Therefore, while it is basically supported on the single-entry method, since it uses approximately the same accounting books, it is however improved compared to it, because it does not determine income only for the overall operation, but for each sector separately. On the contrary this method is lacking compared to double-entry, due to the calculation of expenses per categories (salaries, seed, fertilisers, pharmaceuticals, depreciations, interest, etc.) and not per sector of operation (wheat, cotton, tobacco, fruit trees, vine grapes, production animals, etc.). Thus, a clear image of the sectors is obtained, which produce the operation's income, however, the contribution of each sector in the total achieved net economic result of the operation cannot be determined. In order to better understand examples of the three Accounting Methods of monitoring you can study the relevant document.

2.2.2 Accounting Books

Each one of the above methods of accounting, in order to fulfil its purpose, uses certain main and a corresponding number of auxiliary accounting books. Of course, the total number of books used is a correlation of the complexity of each method and the degree of analysis to which it subjects the economic unit. Among them the basic ones are the inventory and balance sheet book, the log, the ledger, the stock book and cash, and the auxiliary ones are mainly the collection note or duplicate copy and the payment order or note.

- ⇒ **Inventory and balance sheet book:** It is the first book of accounts which starts the monitoring of the accounts of the operation. This book records all the assets of the operation per categories and in a systematic way, both as physical units and their value. Inventory takes place on the first day of the accounting year by the farmer once a year.
- ⇒ **Log:** This is the book that opens on the first day of the accounting year, operates throughout its term and closes on the last day of the accounting year. All the transactions of the operation are recorded daily in the log, both between the operation and third parties and between its sectors. The entries are made in chronological order as they are realised, under the basic condition, that for each transaction, one account is debited and another account is credited.

EXAMPLE OF LOG

| Date | Description of accounting action realised | Page in ledger | Debit | Credit |
|-------------------|---|----------------|-------|--------|
| 02-01-2002 | Cash Sale 100 kg milk X €0,75/kg | 1 | 75€ | 75€ |
| | Sheep | 3 | | 75€ |
| 03-01-2002 | Sheep Purchase 100 kg bran X €0,50/kg | 3 | 50€ | |
| | Cash | 1 | | 50€ |

⇒ **Ledger:** This book is divided into sectors or accounts of the operation. The entries from the log are transferred in this book. It differs however in the fact that entries in the ledger are not recorded as they occur, but they are classified in the operation's accounts. Specifically, each page of the ledger consists of two normal book pages, i.e. it is presented as a single page of an open book, where the account's debt is recorded on the left part and the account's credit on its right part. Thus, during the year, entries from the log are transferred and recorded in a systematic way, both debit and credit entries of each account.

⇒ **Stock book:** The stock book resembles the ledger in its function. Each account covers a page of an open book, with the input recorded on the left part and the output on the right side. They are compared each month, and if there is a balance, it is recorded in the input section, and the input and output procedure continues in the same way as the previous month. This is done for all months of the year. The balance that remains after the comparison of the input and output of the last month of the year is the balance for the first month of the following year. This is also an item of the inventory book. In practice there is comparison between the actual and the accounting balance. Only the materials of each account that enter the warehouse are recorded in the stock book.

EXAMPLE OF WAREHOUSE “BARLEY”

IMPORT

OUTPUT

| Date | Source of origin | Amount in kg or number | Date | Sector of destination | Amount in kg or number |
|-------------------|------------------|------------------------|-------------------|-----------------------|------------------------|
| 01-01-2002 | Inventory | 525 | 05-01-2002 | Cows | 250 |
| 10-01-2002 | Purchase | 200 | 15-01-2002 | Sheep | 175 |
| 22-01-2002 | Purchase | 100 | 25-01-2002 | Labour animals | 150 |
| | | | 31-01-2002 | Warehouse balance | 250 |
| 31-01-2002 | TOTAL | 825 | 31-01-2002 | TOTAL | 825 |

⇒ **Cash book:** This book functions in the same way as the two previous ones, in the form of an open book; on the left part the receipts of the operation are recorded, both for the general operation and for each sector, and on the right part the payments of the general operation and for each sector. In this way we have a complete image of the course of the operation’s receipts and payments during the year, both for the total and for each sector, and therefore we know when the basic collections are made and when we need money to fulfil certain obligations in cash.

⇒ **Auxiliary books:** The number and the type of these books basically depends on the direction of each operation. Of these the most common ones are, on the one hand the receipts bill or duplicate copies for sales, and the payment order or note for the purchases.

2.2.3 Accounting Systems

Accounting systems are a result of the complex machinery of the double-entry method and their distinction is based on the path of the entries in the different accounting books and the order they are updated in. Based on the above, accounting systems are distinguished into **composite-analytical** systems, where entries are initially made in composite and are then transferred into analytical books, and into **analytical composite** systems, where entries follow a reverse path from the previous category of systems.

The main representatives of the first category of systems is on the one hand the **classic or Italian system**, and on the other hand **the log-ledger system**. The main representative of the second category is the **centralized accounting system** with and without its variations.

⇒ **Classic system:** It is the oldest and most widespread accounting system, and in fact, the most appropriate one for middle and large sized operations. In this system entries are initially made in

the composite log in chronological order and from there they are transferred in the composite ledger per account.

⇒ **Log – ledger system:** This system is newer compared to the previous one and is implemented in small-sized operations and therefore a limited number of accounts. As its name reveals, the log and the ledger are not two different accounting books, but the same one.

⇒ **Centralized system:** This system is implemented in very large operations with regard to accounts. For this reason its function from the aspect of monitoring the entries is the reverse from that of the two previous accounting systems. In other words, entries are initially made in analytical logs and from there they are periodically transferred into the composite log. The function of both the ledger and the stock book is similar, namely, entries are initially made into analytical ledgers and analytical stock books, and are then transferred into the composite stock book.

2.3 AGRICULTURAL ACCOUNTS AND ENTRIES

2.3.1 Accounts

Agricultural accounts are the instrument for technically and financially monitoring an agricultural operation and all of its sectors. In more detail, agricultural accounts are a system for technically and economically monitoring the various sectors of plant production which makes possible the calculation of the economics of each production sector and its contribution in the total economics of the operation. More specifically, agricultural accounts technically and economically monitor, with a series of entries, the movements of various production sectors during a productive procedure.

Agricultural accounts fall under primary or final and auxiliary or intermediate. The first include all the sectors of the operation's plant production, whereas the latter include its production means (machinery, any work animals, etc). The latter some times include certain plant production sectors (e.g. barley, maize, alfalfa), provided they exist in the operation only for the smooth operation of certain basic agricultural production sectors.

The entrepreneurization of the agricultural operation and its turn towards a specific direction of production are not comprehensible, if they are not based on detailed and accurate agricultural accounting data. In addition, the calculation of the production cost of plant and livestock products, and the identification of the financial relationships between the achieved product and the factors used for its production require the existence and accurate keeping of agricultural accounts. Also, the exercise of healthy agricultural credit requires the existence of agricultural accounts, because the agronomist can direct agricultural credit with them towards those production sectors from which the most productive possible utilization is expected, to

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the benefit of private and national economy. Finally, of great economic importance is the existence of agricultural accounts in the case of the assessment of the productive value of the operation and each asset.

We mention below two examples of agricultural accounts: one for the main or final agricultural accounts and another one that refers to auxiliary accounts.

We refer to a middle-sized agricultural operation with crops of cotton, wheat and alfalfa that has an agricultural tractor.

Example of main agricultural accounts

| | | | |
|---|-------|--------------------|-------|
| Income | | EXPENSES | |
| Product sales (cotton-wheat-alfalfa) | 30000 | Cultivation expens | 10000 |
| Subsidization | 15000 | Loan interest | 11000 |
| TOTAL | 45000 | TOTAL | 21000 |

Example of auxiliary agricultural accounts

| | | |
|----------------------|------|--|
| Agricultural tractor | | |
| Maintenance expenses | 800 | |
| Capital depreciation | 5000 | |
| Fuel | 3500 | |

We observe that in the first case agricultural accounts refer generally to the income and expenses of the entire operation, as well as the total plant production (cotton-wheat-alfalfa).

In the second table we give an example of auxiliary agricultural accounts, and specifically the expenses of the agricultural tractor of the enterprise.

Agricultural entries are those means that agricultural accounts use for fulfilling their purpose. More specifically, agricultural entries are the means that achieve the movement of the account of each sector of agricultural production and the entire operation. The type and detailed appearance differ with each other, depending on the size and the type of agricultural operations. Thus, e.g. large agricultural operation of a complex specialized production direction (e.g. livestock, horticulture, arboriculture, type) require detailed entries daily, whereas small and simple (grain type) agricultural operation do not require daily accounting monitoring..

2.3.2 Entries

Agricultural entries are distinguished into physical or technical data entries, and economic data entries. Physical or technical data entries are the foundation for measuring the economics and performance of the operation, its restructuring and decision making and are linked both with the available and with the used quantities of the production factors. Of these, the available quantities are usually known before the commencement of the accounting monitoring of the operation, whereas the used quantities depend on the operation's plan and in fact from the various plant production sectors. The economic data entries are linked with the cost for the use of each available factor in the agricultural operation, either on the part of the farmer, or third parties, at the price of the produced product under its various forms. More specifically, these entries refer to the fee of the used human, mechanical and any animal labour, the value of the used seed, fertilizers, pharmaceutical products, herbicides, animal feed, fuel, lubricants, sponges, and the annual expenditure (depreciation, maintenance, insurance premium, interest) of the used fixed capital.

The economic data entries are of great importance, because they constitute the other branch of the analysis of the operation and the calculation of its economic result, and the criterion for selecting the agricultural technique or generally the method of production of the same product in a more economic manner.

EXAMPLE

In the first table we provide an example that is related to entries of physical or technical data of an agricultural operation whereas in the second we give economic data.

| ENTRIES OF PHYSICAL OR TECHNICAL DATA | | |
|---------------------------------------|--------------|-------|
| | | VALUE |
| Land (privately owned) | 144 stremmas | 70000 |
| Storage spaces | 1200 M2 | 40000 |
| Drilling | | 50000 |

| ENTRIES OF ECONOMIC DATA | | | | |
|--------------------------|------------|-----------------|-------|---------------|
| | | | HOURS | VALUE (EUROS) |
| LABOUR | Human | Family | 2000 | 8000 |
| | | Foreign | 3000 | 12000 |
| LABOUR | Mechanical | Privately owned | 1400 | 5000 |
| | | Foreign | 1800 | 7000 |

When we look at the two tables we can comprehend what we mean when we refer to entries of physical or technical data and economic data. In the first table we could add rented fields, any water storage tanks, etc.

In the second entry we could enter the value of seed, fertilizers, lubricants to be used in the agricultural machinery, etc.

2.4 MONITORING OF ACCOUNTS OF AGRICULTURAL OPERATIONS

2.4.1 MONITORING OF ACCOUNTS OF AGRICULTURAL OPERATIONS

Accounting monitoring of agricultural operations is the monitoring of their operation that starts with the inventory of assets, continues with keeping the accounts of the production sectors and means and ends with the calculation of the achieved economic result. Accounting monitoring takes place through the agricultural accounts and entries.

The agricultural operation may be monitored either as whole or per sector. The accounting monitoring of an entire operation, as a whole, is preferred in those cases when the measurement of the economics and productivity of a specific production plan of the operation interests us exclusively, where each sector lacks its independency. On the contrary, the accounting monitoring of the operation per category of similar production sectors or individual sectors of production takes place in those cases where we want to know the economics and productivity of each group of sectors or each sector and its contribution in the formulation of the economic result of the entire operation.

⇒ **Accounting monitoring of agricultural operations as a whole:** The financial monitoring of an agricultural operation, as a whole, is achieved with a log table structured in a way that allows daily recording of the family and foreign labour in hours and euros, depending on the prevailing and payable wages. The same principle is followed for used privately owned and foreign machinery and labour animals. The consumed quantities and value of seed, fertilizers, pharmaceutical, animal feed, fuel and lubricants, depending on the type of operation, are then recorded separately. Finally, the achieved production of products is recorded in detail with their value.

The above entries, filled in with certain receipts and payments and with the corresponding debits and credits, are the basis for the calculation of the gross revenue, the production expenses and the other economic results of the operation.

⇒ **Accounting monitoring of agricultural operations per category of similar production sectors:** When we say large categories of similar sectors of an operation we mean mainly the plant and animal production, subdivided into large crop plants, arboriculture, horticulture, etc., and into cattle, sheep, pigs, poultry, etc. The financial monitoring of the operation by large categories of similar production sectors is possible with a table similar to the one monitoring the entire operation, through the replacement of the column “agricultural operation” with

the corresponding “production sectors”. Thus, the category of the sectors becomes known, to which the human, mechanical and any animal labour, the consumed quantities of seed, fertilizers, pharmaceuticals, animal feed, and the achieved production refer to.

⇒ **Accounting monitoring of agricultural operations per individual of production sectors:**

Monitoring per sectors of production is considered necessary for the distinction of the tables, depending on the specific sectors they refer to. Tables are designed in a manner that allows the recording of all financial data of each individual production sector in them, referring to human, mechanical and any animal labour, to all the consumables and the achieved production. In this way, financial factors are obtained for each specific production sector, which constitute basic criteria of analysis of their economics and productivity, beyond the capability of determining the production cost and the contribution of each production sector in the overall economic result of the operation.

2.4.2 PROPOSED METHOD OF ACCOUNTING MONITORING OF AGRICULTURAL OPERATIONS

From the described methods for monitoring the accounts of an agricultural operation, the method per sector of production is proposed. This is proposed for methodological and educational reasons. Methodological reasons refer to the detailed presentation of the accounting monitoring of an agricultural operation, in order to make possible any form of analysis and synthesis. Also, the reorganization of the agriculture operation requires its detailed agricultural monitoring per sector of production. Educational reasons are linked with the fact that the more detailed and complex the teaching of accounting monitoring of an agricultural operation is, the more broad the experience of this complex organization that is obtained by some of the trainees. The measurement of the economics of a specific production plan for the operation, which is a trend of modern economics for agricultural operations, not only does not exclude its accounting monitoring per sector of production, but on the contrary imposes it for reasons of a more rational future organization.

SELF-EVALUATION TEST

Answer True (T) or False (F) to the following questions:

1. Accounting may be defined as an accurate and specific sector of science, which is based on clear, determined but also flexible rules and regulations, which usually has more than one correct method for handling any problem of entries.

- a) True
- b) False

2. Accounting under its broader meaning has as an object any organization that requires the systematic monitoring of its operation and economic condition.

- a) True
- b) False

3. Applied or special accounting is subdivided into private and public.

- a) True
- b) False

Select the correct answer to the following questions:

1. Accounting is distinguished into:

A) theoretical or general, related to the general principles and their rules of application, and into applied or special, related to the implementation of the general principles and rules on the individual sectors of the economy

B) comprehensive, related to the general principles and their rules of application, and partial, related to the implementation of the general principles and rules on the individual sectors of the economy

C) primary, related to the general principles and their rules of application, and secondary, related to the implementation of the general principles and rules on the individual sectors of the economy

D) administrative, related to the general principles and their rules of application, and functional, related to the implementation of the general principles and rules on the individual sectors of the economy

2. The single-entry method is the method that:

- A) refers to two accounts each time
- B) does not monitor the changes of all the assets
- C) is perfect as a method

D) is the most widespread method

3. The double-entry method:

- A) always sets in motion more than five accounts
- B) makes two entries of an equal amount at the same time, one as debit and one as credit
- C) different accounts are not subdivided
- D) is simpler than the single-entry method in its implementation

4. The log is the book that:

- A) opens on the first day of each month of the accounting year
- B) the recordings are made based on the monetary value
- C) for each transaction an account is either debited or credited
- D) all the transactions of the operation are recorded daily in the log, both between the operation and third parties and between its sectors.

5. The tables in the method of “accounting monitoring of agricultural operations per individual production sectors” do not include:

- A) the financial/technical data of each individual production sector
- B) the data that refer to human labour
- C) the data that refer to consumables
- D) the data that refer to borrowing

ACTIVITIES

1. Match the single-entry and double-entry methods with the key words

| | |
|-------------------------------|--|
| 1) Single-entry method | a) debit - credit |
| 2) Double entry method | b) simplified form of accounts |
| | c) accounts are subdivided without limit |
| | d) only one account each time |
| | e) external study of economic changes |
| | f) relevant complexity |

Ans: 1) b, d, e 2) a, c, f

2. Match the accounting terms with the key words

| | |
|---|---|
| <p>1) Balance sheet 2) Log 3) Ledger 4) Stock book 5) Cash book</p> | <p>a) the entries from the log are transferred into it b) only the materials of each account are recorded c) it determines the economic standing of each year d) all transactions are recorded daily in it e) a complete image of the course of the receipts and payments</p> |
|---|---|

Ans: 1-c, 2-d, 3-a, 4-b, 5-e

3. Enter all the expenses related to the use of the agricultural Tractor of our operation as well as the depreciation of the funds used for its purchase on an annual basis. Then allocate (divide) the total cost found with the total hours of use of your tractors. Finally, compare the hourly cost that you found with the corresponding expenditure you pay for the foreign mechanical labour. In this way you can discover if the use of the tractor is of interest to your enterprise or not.

ADDITIONAL SOURCES

1. International Accounting Standards (IAS)

[http://europa.eu/legislation_summaries/internal_market/single_market_services/financial services_general_framework/l26040_en.htm](http://europa.eu/legislation_summaries/internal_market/single_market_services/financial_services_general_framework/l26040_en.htm)

AGRICULTURAL ACCOUNTING METHODS

➤ **SINGLE-ENTRY METHOD**

Calculation of economic result

| | | | |
|-----------------|----------|-----------------|----------|
| Inventory | At start | Inventory | At end |
| Assets (A) | 60,000 € | Assets (A) | 65,000 € |
| Liabilities (L) | 12,000 € | Liabilities (L) | 9,000 € |
| Net assets (NA) | 48,000 € | Net assets (NA) | 56,000 € |

**Economic result = NA at end – NA at start =
 56,000 € - 48,000 € = 8,000 €**

Usually serves the following purposes:

- Shows the economic standing of the operation against third parties
- Shows the movement of the main accounts (Assets or Liabilities)
- Shows the operation’s cash standing

➤ **DOUBLE-ENTRY METHOD**

This method is called double-entry because each transaction sets into motion two accounts at least and two entries of equal amounts are made at the same time, one as debit and one as credit.

E.g. The farmer buys corn and pays €2,500.

Account "Corn Crop"

| | |
|---------|--------|
| Debit | Credit |
| 2,500 € | |

Cash

| | |
|-------|---------|
| Debit | Credit |
| | 2,500 € |

Calculation of economic result

| Production sectors of the operation | Income per sector € | Expenses per sector € | Balance |
|-------------------------------------|---------------------|-----------------------|-------------|
| Peaches freestone | 6,000 | 4,500 | 1,500 |
| Peaches clingstone | 7,000 | 6,500 | 500 |
| Apples | 5,000 | 4,000 | 1,000 |
| Cotton | 10,000 | 10,500 | -500 |
| Maize | 6,000 | 6,200 | -200 |
| TOTAL | 34,000 | 31,700 | 2300 |

➤ **IMPROVED SINGLE-ENTRY METHOD**

The method is mainly based on single-entry, but it further uses certain accounts, which allow the calculation of the income per production sector and expenses per similar categories.

Calculation of economic result

| Production sectors of the operation | Income per production sector | Expenses per similar categories | |
|-------------------------------------|------------------------------|---------------------------------|---------------|
| | | Category of expenses | Expenses € |
| Peaches freestone | 6,000 | Rent for fields | 4,500 |
| Peaches clingstone | 7,000 | Fee for human labour | 7,500 |
| Apples | 4,200 | Value of consumables | 7,000 |
| Cotton | 10,500 | Fixed expenditure | 7,500 |
| Maize | 6,500 | Other expenditure | 2,500 |
| TOTAL | 34,200 | | 29,000 |

Total economic result = 34,200-29,000=5,200 €