

Farm Accounting – An Aid To Successful Farming Business

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Abstract:

Maintenance of farm accounts is the need of the present hour. Farm accounts supplies information to the farmers which is essential to make his farming operation most profitable. They show which farming activity result in a loss and the reason. In India the proportion of small farmers is more. Illiteracy of farmers is also question in India. There are so many problems in maintaining farm accounts but for successful farming business it is essential to popularize the farm accounting. Some suggestions are also suggested in this paper such as training programmes to the farmers, services of accountants, simple books of accounts etc.

INTRODUCTION

India is a land of farmers. Indian economy earlier was purely based on agriculture. It is well known fact that after independence more attention has been paid on agricultural research. Technological innovations such as use of high yielding variety seeds, improved agricultural implements, fertilizers and pesticides have brought big changes in the production. But it is also true that by keeping the accounts of farming business in a proper manner, the production and productivity of agriculture may increase. Farmers can reduce the cost of production and will grow only those crops which are more profitable.

If the accounts of different farming activities are not maintained the farmers would not be able to know that which farming activity is incurring loss.

Now a days it has become necessary for the farmers to keep the accounting records in a systematic manner for successful farming. So far more and more emphasis has been given on the modernization of agriculture and importance of farm accounting has been ignored. Farm accounting can play a very important role in adopting profitable farming activities.

OBJECTIVES.

- 1.To understand role of farm accounting in farming business.
- 2.To study the problems in maintaining farm accounts.
- 3.To suggest remedies for maintenance of farm accounts.

NEED FOR FARM ACCOUNTING

- 1.To know cost of each farming activity. This will help to take corrective action when cost is heavy. Necessary steps can be taken to reduce the cost of production.
- 2.To know profit on each line of farming activity.
- 3.Proper Accounting records, preparation of profit and loss account and Balance sheet will help the farmers to obtain loans, subsidies from banks and other financial institutions and Government.
- 4.If proper records are maintained, then the measures can be taken to increase the yield.

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FEATURES OF FARM ACCOUNTING

- 1.The farming business is mostly family type and there may be single Bank A/c for family and business. Hence there is a need to separate private transactions from business transaction in order to know correct situation.
- 2.Some portion of crops and farm products are used by the family members of a farmers such consumption is treated as income of the farm and drawings of the farmer.
- 3.The family members work on the farm. They provide labour, valuation of such labour should be made and added to the cost of production.
- 4.Many times agricultural transactions are carried on with the help of barter system. They are to be measured in items of money and brought into the books of accounts e.g. agricultural products are handed over to the workers in exchange of their labour.
- 5.Some agricultural products lie in the agricultural field through out the year, valuation of the same should be made on the basis of different cost level.
- 6.There are different sections in the farms such as 'Crops', 'Dairy', 'Poultry'.As a result the output of one economic activity is used by another economic activity as input e.g. part of the crop produced may be used in cattle rearing, poultry farming or cow dung from cattle section is used for farming. These points are taken into consideration.
- 7.Different divisions are managed by the farm. So the costs are incurred jointly. As a result joint costs are to apportioned on the basis of some agreed just equitable proportions.
- 8.Farming activities are fraught with uncertainties and natural calamities such as draught, floods, diseases. To protect against these losses crop insurance policies should be taken.

How farm Accounts an Aid to successful farming Business.

Accounting is nothing but it is a language of a business. It provides information to shareholders, potential investors, employees, creditors, tax authority, the government and the public. There are two methods of maintaining farm accounts.

- 1.Double Entry system.
- 2.Single Entry system.

The big farmers can adopt double entry system and medium and small farmers can adopt single entry system which is less expensive and simple two.

If the farm accounts maintained properly by farmers the following information will be available to the farmers.

- 1.Receipts during the year.
- 2.Expenses during the year.
- 3.Sources of all receipts
- 4.Nature of all expenses
- 5.Record of labour on the farm.
- 6.Increase or decrease of capital
- 7.Amount of capital used for farm.
- 8.Date of the farm operations
- 9.Cost of producing the farm products.
- 10.Profit made by each of the farm product.
- 11.Loss incurred on each of the farm products.
- 12.Contribution of the farm to the household.
- 13.Amount of farm products used by one farm division from another division.

This information is essential to farmers for making farming operations the most profitable.

Now a days accounting softwares are available and they are very useful to the farmers. In order to be most successful, the farmers of today must be a good businessman and must adopt good business.

DIFFICULTIES IN MAINTAINING FARM ACCOUNTS.

1. Majority of Indian farmers do not like to maintain accounting records because of illiteracy and poverty.
2. The farmers do not find the books of accounts in their local language.
3. In India 75% farmers have small farming business. They do all types of work in their business e.g. They work as a labourer, manager, financier. Farmer remains busy in doing different type of work from morning to evening. At the end of the day he is not in a position to sit and record the entries of business transactions in the books of farm.
4. The income of small farmers is very low, so they cannot take service of an accountant for farm accounting.
5. Indian farmers do not maintain the farm accounts due to the fear of income tax. They feel that if the accounts of farming business are maintained properly, their annual income will be disclosed and the Govt. may levy some kind of tax on them.
6. Lack of awareness amongst the farmers.
7. Farming business has to face a heavy loss any time due to disturbance in weather and other natural uncertainties. Because of such difficulties they are not interested in maintaining farm accounts.

SUGGESTIONS

To popularize the advantages of farm accounting among the farmers the following points are suggested.

1. The advantages of farm accounting may be brought to the notice of farmers throughout the country with the help of media such as T.V., radio, pamphlets, newspapers and also in panchayats and Gram Sabhas.
2. The simple and standardized books of accounts should be made available in the market in local languages. So that the poor and small farmers are able to maintain the accounts of their farming business.
3. The services of accountants may be provided by the panchayats for illiterate farmers. These accountants may be given the responsibility of maintaining accounts of illiterate farmers. For this work nominal fees should be charged from farmers.
4. For literate farmers, well designed training programmes organized for educating them in a simple and systematic manner. Such training facilities may be provided by various government and non-government agencies.
5. The procedure for maintaining the farm accounts must be simple and easy so it should be adopted by the farmers.
6. To maintain the books of accounts must be legally compulsory for big farmers in a systematic manner either by himself or by appointing accountant. So that the information will be available for making the decisions about growing various crops and live stocks and to use the available resources to the optimum level to maximise the profit.
7. This age is called as information age. Now a days use of computer is become a part of life. Computers are available for maintaining the accounts of the business. If the computers are used by the farmers all information like assets, liabilities, receipts, expenses / payments purchase, sales will be available immediately. Profit and loss A/c, Balance sheet will be prepared within shortest period. The information is taken into consideration for taking decisions.

CONCLUSION

In globalisation it has become necessary for farmers to keep the farm accounts in systematic manner for successful farming. Farm accounting can play a very important role in adopting profitable farming activities. So popularization of farm accounting has become the need of the day.

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