

AgBiz Masters

A Learning Series for Young & Beginning Farmers



Workbook

With online modules provided by:



Module 6: Understanding Lending Decisions

Module 6 Understanding Lending Decisions Workbook Exercises

You, Inc. Exercises:

As you view the Flash module, complete each exercise at the point indicated in the module.

You, Inc. – Please take the time to assess yourself concerning the three factors just mentioned:

- | | | |
|--|------------|-----------|
| 1. Do you maintain sound financial records, including cash flow statements, budgets, inventories, etc.? | Yes | No |
| 2. Do you have a history of monitoring and managing expenses and evaluating operational efficiencies (cost/unit, etc.)? | Yes | No |
| 3. Do you handle business and personal obligations responsibly, and structure debt so your business can invest in capital items? | Yes | No |

You, Inc. – Please take time to calculate your Working Capital to Revenue Ratio and Current Ratio using your balance sheet and income statement:

Working Capital / Revenue: $\frac{\text{Current Assets} - \text{Current Liabilities}}{\text{Total Revenue}}$

Your Working Capital Ratio: _____

Current Ratio: $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

Your Current Ratio: _____

Module 6: Understanding Lending Decisions

You, Inc. – Please assess the following:

	Yes:	No:	N/A
1. Are the terms of your operating loans less than 18 months?	_____	_____	_____
2. Are the terms of your intermediate loans one to ten years?	_____	_____	_____
3. Are the terms of your long term loans ten to thirty years?	_____	_____	_____

“Making It Your Own” Application Exercises

- In the module you were asked to complete the “You, Inc.” action steps. Now conduct a self assessment of how you stack up by utilizing the Five “C’s” of Credit to identify your strengths and areas of weakness.
- Schedule an appointment with your lender, mentor or facilitator and see how their assessment aligns with yours.

Discussion Questions

Select one question to answer, and post your response on the FCU Forum.

1. Interview a lender concerning character. How do they define character and what are some of the character flaws they have observed in their career?
2. Interview a lender. What are they looking for concerning guidelines on repayment capacity using the term debt and lease coverage ratio?
3. Interview a lender. What have been some of the most blatant mistakes they have observed regarding loan purpose, i.e. loans not being used appropriately?
4. Interview a lender. What suggestions do they have concerning loan structuring to finance various asset types? What conditions change the structure?
5. While all 5 C’s of Credit are important, which one do you feel is the most critical for a producer seeking credit? Why?

Module 7: Benchmarks and Best Management Practices

Module 7
Benchmarks and Best Management Practices:
Your Scorecard to Success
Workbook Exercises

You, Inc. Exercises:

As you view the Flash module, complete each exercise at the point indicated in the module.

Chart 1: Repayment Analysis			
1	Net Farm Income From Operations*	\$	43,750
2	Plus: Non-Farm Earnings	+	36,500
3	Subtotal	=	80,250
4	Plus: Depreciation Expense & Interest Paid on Term Debt and Capital Leases	+	59,000
5	Earnings available for Family Living, Income Taxes, Interest & Principal, Payments and New Investments	=	139,250
6	Minus: Family Living Withdrawals and Income Taxes	-	58,000
7	Capacity Available for Interest, Principal Payments and New Investments	=	81,250
8	Scheduled Interest and Principal Payments on Term Debt and Capital Leases	\$	60,700
9	Term Debt and Lease Coverage Ratio (Line 7 / Line 8)	=	134%
10	Capital Replacement and Term Debt Repayment Margin (Line 7 - Line 8)	=	20,550
*NFIFO= Total Revenue – Expenses (NOT including income and social security taxes)			

Coverage Ratio	
0	< 100%
1	100-104%
2	105-109%
3	110-114%
4	115-120%
5	121-129%
6	130-149%
7	150-174%
8	175-199%
9	200-249%
10	> 250%

Module 7: Benchmarks and Best Management Practices

Road Stop Test:

1. If non-farm earnings (Chart 1, Line 2) were not available, how would this impact the coverage ratio?

ANSWER: Coverage ratio would decrease to 74%, which means the business cannot cover its scheduled debt payments.

2. Holding all other numbers constant, how would a 20% increase in net income (Chart 1, Line 1) improve the coverage ratio?

ANSWER: With increase in Net Income to \$52,500, coverage ratio increases to 148%.

You, Inc. – In the module Workbook, please take time to complete a Repayment Analysis for your business using your balance sheet and income statement. Note your Coverage Ratio score for this section:

Coverage Ratio: _____

Score: _____

Red/Yellow/Green Light: _____

Chart 1: Repayment Analysis

1	Net Farm Income From Operations*	\$
2	Plus: Non-Farm Earnings	+
3	Subtotal	=
4	Plus: Depreciation Expense & Interest Paid on Term Debt and Capital Leases	+
5	Earnings available for Family Living, Income Taxes, Interest & Principal, Payments and New Investments	=
6	Minus: Family Living Withdrawals and Income Taxes	-
7	Capacity Available for Interest, Principal Payments and New Investments	=
8	Scheduled Interest and Principal Payments on Term Debt and Capital Leases	\$
9	Term Debt and Lease Coverage Ratio (Line 7 / Line 8)	=
10	Capital Replacement and Term Debt Repayment Margin (Line 7 - Line 8)	=

*NFIFO= Total Revenue – Expenses (NOT including income and social security taxes)

Module 7: Benchmarks and Best Management Practices

Chart 2: Working Capital/Revenue		
1	Current Assets	\$ 150,000
2	Current Liabilities	- 75,000
3	Working Capital	= 75,000
4	Total Revenue	= 280,000
5	Working Capital/Revenue Ratio (Line 3 / Line 4)	= 27%

Chart 2: Working Capital/Revenue		
1	Current Assets	\$
2	Current Liabilities	-
3	Working Capital	=
4	Total Revenue	=
5	Working Capital / Revenue Ratio (Line 3 / Line 4)	=

Working Capital/Revenue	
0	Negative
1	1 – 3%
2	4 – 6%
3	7 – 10%
4	11 – 15%
5	16 – 20%
6	21 – 25%
7	26 – 30%
8	30 – 34%
9	35 – 50%
10	50% +

You, Inc. – Please take time to calculate the working capital /revenue ratio for your business using your balance sheet and income statement. Note that you calculated the amount of working capital in the previous module.

Working Capital / Revenue: _____

Score: _____

Red/Yellow/Green Light: _____

Chart 3: Percent Equity		
1	Total Equity	\$ 300,000
2	Total Assets	= 976,225
3	Percent Equity (Line 1 / Line 2)	= 31%

Chart 3: Percent Equity		
1	Total Equity	\$
2	Total Assets	=
3	Percent Equity (Line 1 / Line 2)	=

Percent Equity	
0	Negative
1	1-10%
2	11-20%
3	21-30%
4	31-40%
5	41-50%
6	51-60%
7	61-70%
8	71-80%
9	81-90%
10	90-100%

You, Inc. –Please take time to calculate percent equity for your business using your balance sheet.

Percent Equity: _____

Score: _____

Red/Yellow/Green Light: _____

Module 7: Benchmarks and Best Management Practices

Chart 4: Return on Assets			
1	Net Income	\$	43,750
2	Interest Paid	+	31,000
3	Subtotal	=	74,750
4	Living Withdrawal or management fee	-	26,500
5	Subtotal	=	48,250
6	Total Assets	=	976,225
7	Return on Assets (Line 5 / Line 6)	=	5%

Chart 4: Return on Assets			
1	Net Income	\$	
2	Interest Paid	+	
3	Subtotal	=	
4	Living Withdrawal or management fee	-	
5	Subtotal	=	
6	Total Assets	=	
7	Return on Assets (Line 5 / Line 6)	=	

	ROA Owned	ROA Leased
0	Negative	Negative
1	Zero	1%
2	1%	2-3%
3	2%	4%
4	3%	5%
5	4%	6%
6	5%	7%
7	6%	8-9%
8	7%	10-11%
9	8%	12-14%
10	9-10%	15% +

You, Inc. –Determine the Return on Assets for your business using your balance sheet and income statement.

ROA: _____

Score: _____

Red/Yellow/Green Light: _____

Module 7: Benchmarks and Best Management Practices

Chart 5: Capital Turnover			
1	Gross Revenue	\$	280,000
2	Total Assets	=	976,225
3	Capital Turnover Ratio (Line 1 / Line 2)	=	29%
	# years to turn capital (1/ Line 3)		3.5 years

Chart 5: Capital Turnover			
1	Gross Revenue	\$	
2	Total Assets	=	
3	Capital Turnover Ratio (Line 1 / Line 2)	=	
	# years to turn capital (1/ Line 3)		

Capital Turnover	
0	Negative
1	1-4%
2	5-9%
3	10-14%
4	15-19%
5	20-24%
6	25-29%
7	30-34%
8	35-40%
9	41-50%
10	50% +

You, Inc. –Calculate capital turnover for your business using your balance sheet and income statement.

Capital Turnover: _____

Score: _____

Red/Yellow/Green Light: _____

Module 7: Benchmarks and Best Management Practices

Chart 6: Profit Margin			
1	Net Income	\$	43,750
2	Interest Paid	+	31,000
3	Subtotal	=	74,750
4	Living Withdrawal or management fee	-	26,500
5	Subtotal	=	48,250
6	Gross Revenue	=	280,000
7	Profit Margin (Line 5 / Line 6)	=	17%

Chart 6: Profit Margin			
1	Net Income	\$	
2	Interest Paid	+	
3	Subtotal	=	
4	Living Withdrawal or management fee	-	
5	Subtotal	=	
6	Gross Revenue	=	
7	Profit Margin (Line 5 / Line 6)	=	

Profit Margin	
0	Negative
1	1-2%
2	3-4%
3	5-6%
4	7-8%
5	9-10%
6	11-12%
7	13-14%
8	15-16%
9	17-19%
10	19% +

You, Inc. – In the module Workbook, please take time to determine the profit margin for your business using your income statement.

Profit Margin: _____

Score: _____

Red/Yellow/Green Light: _____

Chart 7: Resource Availability		
1	Land, water, labor	_____
2	Infrastructure, roads, agribusinesses	_____
3	Financial stability	_____
4	Political stability	_____
5	Access to markets	_____

Resource Availability	
0-4	Strong in 1-2 areas
5-8	Strong in 3-4 areas
9-10	Strong in all 5 areas

You, Inc. – In the module Workbook, score your resource availability.

Score: _____

Red/Yellow/Green Light: _____

Module 7: Benchmarks and Best Management Practices

Chart 8: Management Ability	
1	Objective bias for action _____
2	Calculated risk taker _____
3	Thinks in systems rather than components _____
4	Strong human relationship manager _____
5	Develop next generation of management _____
6	Good communication skills _____
7	Passion for the industry _____

Management Ability (2 points for each area, max of 10)	
0-4	Strong in 1-2 areas
5-8	Strong in 3-6 areas
9-10	Strong in all 7 areas

You, Inc. – In the module Workbook, score your management ability.

Score: _____

Red/Yellow/Green Light: _____

Chart 9: Marketing: Commodity	
1	Know cost of production _____
2	Have marketing plan _____
3	Timetable and checkpoints _____
4	System monitoring _____
5	Tools for risk mitigation _____

Marketing (2 points for each area)	
0-4	Strong in 1-2 areas
5-8	Strong in 3-4 areas
9-10	Strong in all 5 areas

Chart 9: Marketing: Value-Added	
1	Know cost of production _____
2	Have marketing plan with alternatives/systems _____
3	Target market fit and client relationship management system _____
4	System of quality control _____
5	Plan for next product development _____

You, Inc. – In the module Workbook, score your marketing plan.

Score: _____

Red/Yellow/Green Light: _____

Module 7: Benchmarks and Best Management Practices

Chart 10: Insurances	
1	Disability/Life insurance _____
2	Liability insurance _____
3	Long term health care _____
4	Key person _____
5	Major medical care or self-insured _____

Insurances (2 points for each area)	
0-4	Strong in 1-2 areas
5-8	Strong in 3-4 areas
9-10	Strong in all 5 areas

You, Inc. – In the module Workbook, score your insurance coverage.

Score: _____

Red/Yellow/Green Light: _____

Chart 11: Technology & Information Management	
1	System of traceability _____
2	Process for updating _____
3	2-6 hours of training each week _____
4	Success in adopting technology _____
5	System for backing up info. & technology _____

Technology & Info. Management (2 points for each area)	
0-4	Strong in 1-2 areas
5-8	Strong in 3-4 areas
9-10	Strong in all 5 areas

You, Inc. – Score your management of technology and information.

Score: _____

Red/Yellow/Green Light: _____

Chart 12: Environmental Compliance & Natural Resource Mgt.	
1	Waste & nutrient management plan _____
2	Soil & livestock testing _____
3	Records that document procedures for environmental & natural resource practices _____
4	Little pressure from development & recreational use _____
5	Long term land arrangements, if leasing _____

Environmental Compliance & Natural Resource Mgt. (2 points for each area)	
0-4	Strong in 1-2 areas
5-8	Strong in 3-4 areas
9-10	Strong in all 5 areas

You, Inc. – , Score your environmental compliance and natural resource management ability.

Score: _____

Red/Yellow/Green Light: _____

Module 7: Benchmarks and Best Management Practices

“Making It Your Own” Application Exercises

Please complete a strategic assessment on your business in the areas that are applicable in your situation. Develop a plan for improvement given your analysis. Have your mentor separately compare the same analysis. What are the similarities and differences when conducting a comparable analysis?

Discussion Questions

Select one question to answer, and post your response on the FCU Forum.

1. Please check out FINBIN Farm Financial Database (<http://www.finbin.umn.edu>) or other state record analysis and record summaries concerning key ratio analysis for farms and ranches. What are some of your observations examining many years of analysis?
2. What financial benchmarks does your lender look for when analyzing a farm and ranch business?
3. Talk with an experienced producer in your area that utilizes financial benchmarking. How have they utilized this tool to improve their business and decision making process?
4. Records and information systems are critical to the success of a business. What have you done or others recommend for information security? What traps have occurred, and how have they been avoided?
5. What are some of your favorite readings and seminars or information sources that you would recommend relating to strategic risk management?

Module 8: Growth and Transition Management

Module 8 Growth and Transition Management: Workbook Exercises

You, Inc. Exercises:

As you view the Flash module, complete each exercise at the point indicated in the module.

You, Inc. – Outline some strategies that will help you carry out a smooth expansion, including how you will build working capital prior to expansion, and what resource constraints you anticipate during the expansion (labor, capital, natural resource, etc.).

Module 8: Growth and Transition Management

ROAD TEST #1: Now let's practice sensitivity testing. A producer plans a \$250,000 expansion in land and buildings, financed at 8 percent interest for 10 years. Given the key assumptions in the "Base Case", observe how the conditions in 4 Shock Tests each affect business performance.

Roadside Test					
Projections	Base Case	Shock #1	Shock #2	Shock #3	Shock #4
Revenue	\$500,000	\$500,000	\$425,000	\$500,000	\$450,000
Expenses	\$400,000	\$500,000	\$400,000	\$400,000	\$400,000
Net Income	\$100,000	\$0	\$25,000	\$100,000	\$50,000
Non-Farm Income	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Subtotal	\$150,000	\$50,000	\$75,000	\$150,000	\$100,000
Depreciation & Interest	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Subtotal	\$250,000	\$150,000	\$175,000	\$250,000	\$200,000
Living Expense & Taxes	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Subtotal	\$175,000	\$75,000	\$100,000	\$175,000	\$125,000
New & Old Debt Principal & Interest	\$100,000	\$100,000	\$100,000	\$120,000	\$120,000
Coverage Ratio	175%	75%	100%	146%	104%
Margin	75,000	-25,000	0	55,000	5,000

Shock Test #1 – Expenses increase 25%, or \$100,000, holding everything else constant. This eliminates net income.

Shock Test #2 – Revenue declines by 15%, to \$425,000, holding everything else constant. This brings net income down to \$25,000.

Shock Test #3 – Interest rates increase to 10%, increasing payment to \$120,000 annually.

Shock Test #4 – Revenue declines by 10% because of weather and prices, along with payment increase in Shock Test #3.

Test Results

Shock Test #1 would be most devastating to the business and could result in sale of liquid assets to meet losses, or revamp of management and financial strategies for long term survival.

Shock Test #2, while not devastating, would place the business in a marginal condition.

Shock Test #3 would be the least adverse.

Shock Test #4, including both revenue and interest rate increases, would place the business in a marginal situation.

Module 8: Growth and Transition Management

ROAD TEST #2: What if ROA dropped to 5 percent due to a \$50,000 decrease in net farm income? Would this business still pass the three expansion tests?

Return on Asset Calculation	
Net Farm Income	\$50,000
Plus Interest Paid	\$50,000
Subtotal	\$100,000
Minus Living Expenses	\$50,000
Subtotal	\$50,000
Total Assets	\$1,000,000
ROA (Subtotal 2/Total Assets)	5%

Results:

Test 1: Fail - ROA 5% < 8% cost of borrowed capital

Test 2: Pass - ROA 5% > 4% inflation

Test 3: Fail - ROA 5% < 8.8% weighted cost of capital

You, Inc. – In the module Workbook, calculate the number of hours you spend annually on your business, and evaluate your time commitment relative to the guidelines just discussed.

_____ hours worked in farm or ranch business annually

_____ hours worked in off-farm employment, if applicable

_____ hours spent in community involvement/other activities annually

How does this compare to guidelines discussed? Are any changes needed?

Module 8: Growth and Transition Management

You, Inc. – In the module Workbook, write down the family issues just discussed that are most pertinent to your business. Think of one action step for each issue that will help resolve the issue or help you move forward in addressing the issue. For example: If the issue is that you do not have a written will, the action step could be meeting with a lawyer this week to draft a will.

Issue 1:

Action Step:

Issue 2:

Action Step:

Issue 3:

Action Step:

Module 8: Growth and Transition Management

“Making It Your Own” Application Exercises

Choose A, B, or both, if you desire.

- A. If you are in a family business, complete the Sweet 16 Golden Rules of Transition Management questions on the following page. It is suggested that the junior and senior generation do it separately. Be honest and objective in grading your transition process. Utilize your mentor to identify strengths and areas for improvement and develop strategies and an action plan as well as a timetable to completion of a transition plan. Be forewarned that completion of a transition plan will often take one to three years to be finalized. It can be a very challenging and difficult process, but it is critical to the success and sustainability of a business.
- B. If you are considering expansion, develop your plan and budgets, conduct sensitivity testing of your choice of test and determine if the project is feasible from an economic and non-economic standpoint. How does it impact overall management systems and resources?

Discussion Questions

1. Interview your mentor concerning some of the challenges that have been observed in either growth or transition management. Do they have any suggestions for overcoming these challenges that are similar to those outlined in the module?
2. Interview your mentor. Do they have any suggestions on how to minimize surprises concerning capital expenditures or budgeting for expansion or transition? What are their top budget busters and how did it impact the performance of the business.
3. Conduct a time management analysis concerning the time you spend in business and outside related activities. How do you compare to the guidelines recommended in the module? How do you compare to your partner or spouse? What could be done to improve your time allocation?
4. Find an article relating to family business growth or family transition issues. Use this article to generate interaction and discussion pertaining to some of the concepts and principles in the module. Find an article or resource pertaining to business use of outside professionals in growth and transition of a business. Contrast and compare the thoughts to those in the module.

Several subject matter experts in this topic are Jolene Brown (Certified Speaking Professional), Dr. Don Jonovic (Family Business Management Services), and Dr. Ron Hanson (University of NE-Lincoln).

Sweet Sixteen Golden Rules of Transition Management

For your business, rate/score each question on a scale from 0 to 10, where 0 = Not at All and 10 = Very Much

0-3 = Red, 4-7 = Yellow, 8-10 = Green

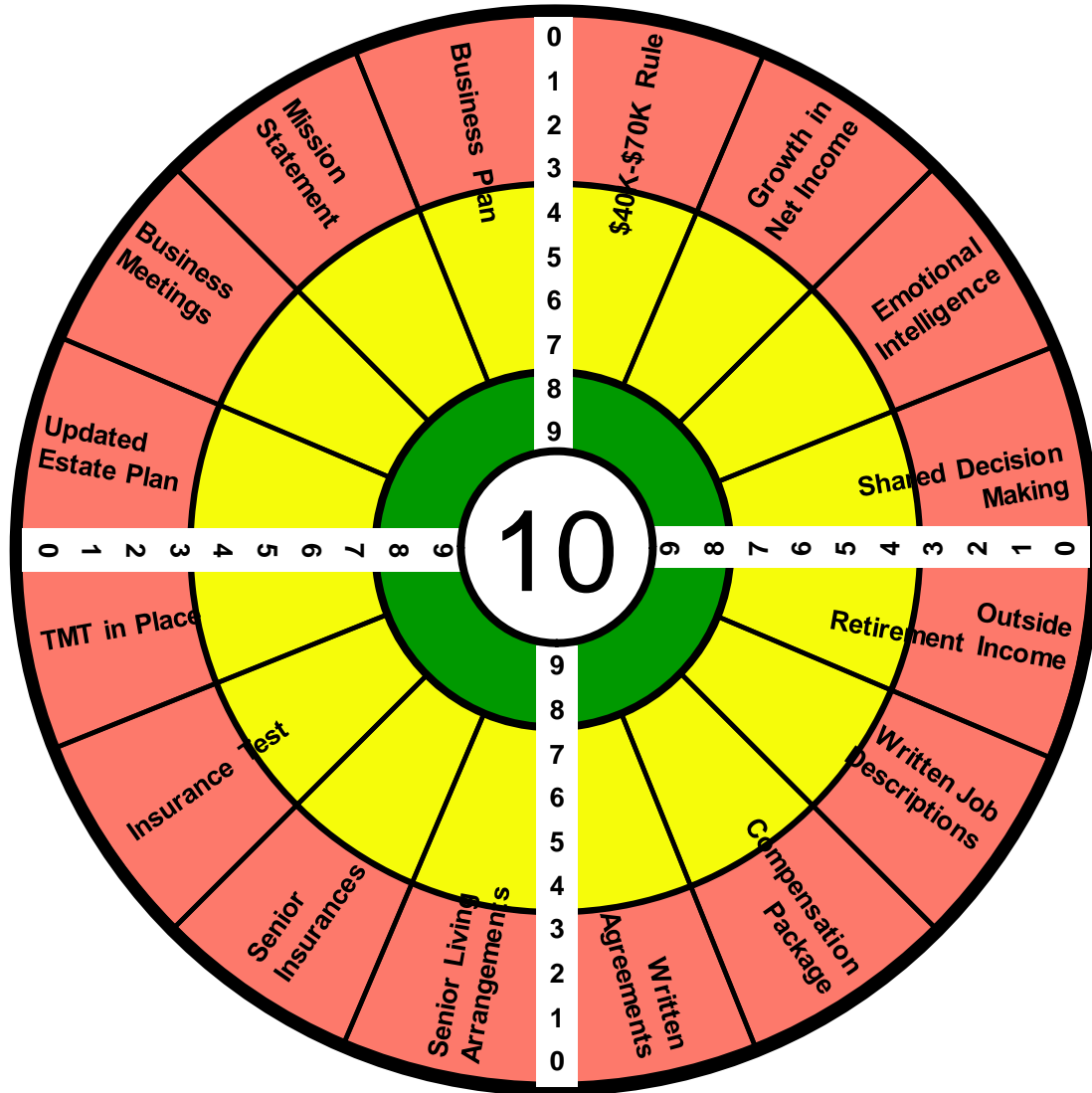


Score

- _____ 1 Do you pass the \$40,000-\$70,000 Rule, or are you willing to accept less living withdrawals, or have additional non-business revenue?
- _____ 2 Will the business model provide for a minimum of a 4% to 8% increase in net farm or business income annually over the next five years?
- _____ 3 Has the younger generation experienced 3-5 years away from the business in outside experience to develop emotional intelligence?
- _____ 4 Has the older generation committed to shared decision-making by the sixth year upon the younger generation's entering the business?
- _____ 5 Do you pass the older generation financial rule? Does Mom or Dad, or business partner who is retiring have at least 50% of retirement income from outside the business investments?
- _____ 6 Do you have written job descriptions with performance measures that are evaluated on a periodic basis?
- _____ 7 Do you have a cash wage and total compensation package that lists the values of fringe benefits and other "perks"?
- _____ 8 Do you pass the written agreement test? Is your business transition plan written, with buy-sell agreements and a fair, but not equal, treatment concerning non-active family business members?
- _____ 9 Has the senior generation made plans for living arrangements and housing in their retired years?
- _____ 10 Does the senior generation have long term health care, disability insurance, & final directives?
- _____ 11 Do you pass the insurance test? Does the business have proper insurances such as life, disability, long term health care, and key person for family members?
- _____ 12 Do you have your TMT (Transition Management Team) in place, including an accountant, lawyer, outside facilitator, and other crop/livestock and financial specialists?
- _____ 13 Has the written estate plan been updated in the past 5 years?
- _____ 14 Do you have periodic family business meetings away from the business with an agenda, minutes and use of an outside facilitator?
- _____ 15 Do you have a written mission statement with specific short- and long-term goals that are discussed with the management team and family?
- _____ 16 Do you have a written business plan including mission, goals, tactics & action statements covering financial, marketing operations, risk management and an exit plan?

Sweet Sixteen Golden Rules of Transition Management
Bull's Eye

Transfer your scores from the checklist to the Bull's Eye



Any spoke < 4 needs immediate attention
Any spoke 4-7 needs improvement
Any spoke > 8 continue to do well

Module 9: Record Keeping, Budgeting, Personal Finance, & Investing

Module 9
Record Keeping, Budgeting, Personal Finance, and
Investing :
Workbook Exercises

You, Inc. Exercises:

As you view the Flash module, complete each exercise at the point indicated in the module.

You, Inc. #1: Develop your own Financial Key file including items, location, and contact for at least five of your own records.

<u>Item</u>	<u>Where to Find</u>	<u>Whom to Contact</u>
1.		
2.		
3.		
4.		
5.		

You, Inc. #2: Now that you know what goes into an emergency fund, let's apply this to your situation. How many months of income are in your emergency fund?

$\$ \text{ amount of cash assets} / \text{gross monthly salary or net income} = \# \text{ months of emergency reserve}$

You, Inc. #3: Conduct a savings analysis. What percent of your gross household income have you saved over the past three years?

Module 9: Record Keeping, Budgeting, Personal Finance, & Investing

You, Inc. #4: Conduct your life insurance analysis from a personal standpoint using the worksheet provided. Take a moment to complete the simple worksheet below. It's designed to help you begin evaluating your current life insurance needs.

CASH NEEDS TO CONSIDER	
Final Expenses (A typical funeral costs \$10,000, plus taxes)	\$
Mortgage Balance	\$
Loans and Credit Card Balances	\$
Education fund (assume \$20,000 per year, per child)	\$
Other (Emergency Fund, considering monthly net income or salary)	\$
ONGOING INCOME NEEDS	
Assume 70% of your annual income multiplied by the number of years until your children leave home or until you retire (For example: \$50,000 X 70% X 10 = \$350,000)	\$
	\$
TOTAL NEEDS (Cash needs to consider + Ongoing income needs)	(A)
INVESTMENTS AND INSURANCE	
Current (or Existing) personal life insurance benefits	\$
Creditor life insurance (which covers the balance of insured mortgages and loans)	\$
Group life insurance plan (under an employer)	\$
Vested qualified retirement plan balances, 401(k) & IRA balances	\$
Other investments like cash, stocks, equity in business	\$
	\$
TOTAL INSURANCE AND INVESTMENTS	(B)
COVERAGE AMOUNT TO CONSIDER (A) - (B) =	\$

Module 9: Record Keeping, Budgeting, Personal Finance, & Investing

You Inc. #5: How much insurance does your business need? Conduct your business insurance analysis using the worksheet provided. It is designed to provide you with an estimate of how much business insurance coverage you should consider.

ONE-TIME COSTS	
(The amount you need to cover your business debts, in the event of your death)	
Business loan balance (if full repayment is needed)	\$
Commercial mortgage or lease (if full repayment is needed)	\$
Buyout Obligations	\$
Accounts Payable	\$
TOTAL	\$ (A)
ONGOING COSTS	
(The amount you need to meet monthly costs if you were temporarily unable to work)	
Business loan balance (if scheduled payments are needed)	\$
Commercial mortgage or lease (if scheduled payments are needed)	
Accounts Payable	
Other Costs	
TOTAL	\$ (B)
EXISTING BUSINESS INSURANCE COVERAGE	
(including business overhead, key person, buy/sell agreement, critical illness and creditor insurance)	
TOTAL	\$ (C)
COVERAGE AMOUNT TO CONSIDER (A) + (B) - (C) =	\$

Module 9: Record Keeping, Budgeting, Personal Finance, & Investing

“Making It Your Own” Application Exercises

You have a choice depending on your specific needs. Complete at least one of the following exercises.

- A. Develop and organize your record keeping system building on the Financial “Key” you started in “You, Inc #1”. Develop a file for short and long term documents.
- B. Complete a monthly personal family living budget utilizing the Sample Budget Categories in Appendix I as a guide. Track your actual expenses for the next 2-3 months and compare your actual spending to your budget.
- C. Utilize the Personal Financial and Investing Check-Up section to conduct an analysis of your situation. What are the strengths and areas for improvement? Develop three short term and three long term actions based upon your analysis.
- D. Outline and prioritize an insurance plan based upon your financial analysis with short-term long-term goals. You may include this in the risk management portion of your business plan.

Discussion Questions

Select one question to answer, and post your response on the FCU Forum.

- 1. Talk to a financial professional, lawyer, accountant, or lender. What are some of the biggest mistakes they see related to record keeping? What suggestions do they have for keeping good records?
- 2. Discuss “do’s and don’ts of investing” with your lender or a financial professional.
- 3. Interview a person you consider a success in investing outside of their farm or ranch business. What were their keys to success? What words of advice do they have for you?
- 4. Read a book, articles, or blog concerning personal finance. What are five major points that you learned and can apply to your situation?
- 5. Search the internet or a bookstore for education models for investing for children. What are some important points you learned or have gained from experience that others need to know? You could use this to develop financial education materials for a youth organization.

Module 10
Professionalism, Communication, Ethics, and
Leadership:
Workbook Exercises

You, Inc. Exercises:

As you view the Flash module, complete each exercise at the point indicated in the module.

You, Inc. – Executive Summary Outline

Develop an outline of the major points you would like to communicate in your business plan's executive summary.

You, Inc.: Develop an outline for a media press release about your business.

You, Inc.: List five company values to include in your code of ethics, such as trust, integrity, and dependability.

- 1.
- 2.
- 3.
- 4.
- 5.

“Making It Your Own” Application Exercises

- A. Develop the executive summary for your business plan. If desired, further refine it into an oral presentation including visuals, such as a PowerPoint presentation that could be used to present to your management team, a lender, or investors.

(The following is optional)

- B. Develop a press release on your business or the industry you are involved in concerning a possible new initiative or story.

Discussion Questions

Select one question to answer, and post your response on the FCU Forum.

1. What are the top two ethical and moral issues for your area? Please identify the issues and solicit input from your mentor on how you would handle these issues. Compare and contrast peoples' responses.
2. Concerning ethics and code of conduct, interview someone inside or outside your industry concerning these issues. What did you learn? Ask them to present you five key pieces of advice.
3. Please discuss with your mentor an ethical issue. Discuss the issues, specifics, how it was resolved and what was learned in the process.
4. Research within or outside your organization to identify one of the biggest train wrecks dealing with business and financial ethics. What was learned in your research and how did it build upon the materials presented in the module.
5. Interview someone who has developed a Press Release. What were their suggestions and effective methods in telling their story?
6. Interview a lender or business leader that has developed a business plan. Do they have tips in developing the executive summary and for your oral presentation?