



# insight

## for Farmers

An industry-specific guide  
for your MYOB software

**MYOB**<sup>®</sup>

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# Introduction

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When doing their books, farmers face many issues unique to their industry. Beyond the basic recording of income and expenses, farmers may need to generate livestock reports, track fuel subsidies, keep primary production separate from non-primary production and much more. Not only this, but time constraints mean that most farmers need an accounting system that's as simple and efficient as possible. This guide understands these issues and is written specifically for farmers, with lots of ideas and tips on the best way to set up MYOB software.

The term farmer includes everything from cattle stations to market gardeners, from orchards to stud breeders. If you export overseas, you might also want to check out the guide *MYOB Software for Importing and Exporting* or, if you use your produce to manufacture finished goods, you might also want to check out *MYOB Software for Manufacturers*.

Throughout this guide, you'll also find **case studies** where you can read about Australian farmers and how they use MYOB software. Browse through these case studies to get the big picture of how MYOB can work for you, and to discover ways to make your farm more profitable and efficient.

# Choosing your MYOB software

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MYOB BusinessBasics (for Windows) and MYOB FirstEdge (for Macs) are the ideal starting points for most farmers. You can record sales, send out customer invoices, keep track of your expenses, monitor which parts of your business are profitable (and which aren't!), as well as calculate your GST and print your Business Activity Statement.

However, larger farms will find it beneficial to upgrade to MYOB Accounting, MYOB Accounting Plus, MYOB Premier (for Windows) or MYOB AccountEdge (for Macs).

MYOB Accounting has all the features of BusinessBasics and FirstEdge but in addition provides:

- Item purchase orders and full inventory control.
- Advanced job budgeting, enabling you to budget separately for each cost centre, as well as budget for your farm as a whole.

MYOB Accounting Plus has all the features of MYOB Accounting but in addition provides fully integrated payroll, so you can keep track of PAYG withholding tax, superannuation, payment summaries, and so on.

MYOB Premier (for Windows) and MYOB AccountEdge (for Macs) have all the features of MYOB Accounting Plus but in addition provide multi-user capability as well as advanced inventory control.

Whichever product you choose, if you want to upgrade to another product that's 'further up the family tree', you can do so at any time. You don't need to buy the new software from scratch, you simply pay an upgrade price.

To find out more about these MYOB products, simply visit [www.myob.com.au](http://www.myob.com.au).

# Understanding the essentials

The following five steps are a brief guide to getting started, highlighting important information specific to farmers.

## Creating your accounts list

When you create a company file for your business, the **New Company File Assistant** asks you to **Build Your Accounts List**, giving you the option of starting with a standard list. There are two templates likely to be suitable: agricultural business and farm. Both of these templates provide customised lists of accounts and are a good starting point. Don't worry if you can't find an accounts list that is perfect - you can add, change or delete as many accounts as you like.

## Reviewing your accounts list

Before entering your opening balances, you need to adapt your accounts list so that it suits the unique needs of your farm.

Your accounts list is a list of categories to which you allocate all transactions. There are eight major account categories (or, for MYOB BusinessBasics and FirstEdge, there are six categories).

Account Category	What it means
Assets	Things you own, or that people owe you. Put your new equipment or tool purchases here. Asset account numbers start with <b>1</b> .
Liabilities	What you owe to other people. Includes loans, taxes payable and outstanding supplier accounts. Liability account numbers start with <b>2</b> .
Equity	This is your "interest" in the farm, the profit or loss that your farm has made over time. Examples of equity accounts are retained profits, partners' drawings, or capital contributions. Equity account numbers start with <b>3</b> .
Income	Money in! Everything you invoice or sell to customers. Income account numbers start with <b>4</b> .
Cost of sales	Cost of sales is the direct costs of your farm, e.g. seed, livestock, materials, freight, or farm labour. Cost of sales account numbers start with <b>5</b> .
Expenses	Overheads. The day-to-day running costs of your farm. Includes bank interest, computer consumables, motor vehicle, telephone and so on. Expense account numbers start with <b>6</b> .
Other Income	Extraordinary income that is not really part of your everyday business. Could include compensation income, investment income or capital gains. Other Income account numbers start with <b>8</b> . Note that this account category is not available in MYOB BusinessBasics or MYOB FirstEdge.
Other Expenses	Extraordinary expenses that are not really part of your everyday business. Could include lawsuit expenses, capital losses, or fire damage costs. Other Expenses account numbers start with <b>9</b> . Note that this account category is not available in MYOB BusinessBasics or MYOB FirstEdge.

# Understanding the essentials

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## Checking your preferences

You can customise all MYOB software so that it works just the way you want it to. You can do everything from changing the appearance of your windows, to automatically requesting a backup prompt each time you quit the program. It all happens via the **Preferences** window.

To review your preferences, go to the **Setup** menu, choose **Preferences** and then explore the various tabs. Remember—your choice of preferences does not commit you to this for ever and ever, for you can change your preferences at any time.

One preference setting is recommended, especially for new users. Make your company file *changeable*. If you make mistakes, you can correct them, without needing to make complicated reversing journals. To do this, go to the **Security** tab in the **Preferences** window. Clear the **Transactions CAN'T be Changed; They Must be Reversed** checkbox.

## Setting up opening balances

To get up and running, you only need to enter opening balances for a few accounts. Bare essentials will probably include your bank account and, if you offer credit to customers, total customer accounts outstanding. Your opening account figures won't balance, but this out of balance amount simply goes to the Historical Balancing account. You or your accountant can fix this later.

To enter opening account balances, go to the **Setup** menu, choose **Balances**, and then choose **Account Opening Balances**. Enter the opening balance of your bank account and the total value of outstanding customer accounts here.

To enter the details of the opening balances for outstanding customer accounts, go to the **Setup** menu, choose **Balances** and then **Customer Opening Balances**. Follow the prompts to enter opening transaction dates and amounts for each customer.

If you want to track outstanding supplier accounts, repeat this process using the **Supplier Opening Balances** window. (This feature is not available if you are using MYOB BusinessBasics or MYOB FirstEdge).

## Getting ready to go

Before you start entering transactions, work out how you intend to back up your company file. If your file is going to contain very few transactions, you may be able to fit your backup onto floppy disk. Otherwise, you'll need to have a CD burner or a zip drive.

You might have been lucky so far, but *nobody* can guarantee continued immunity to power surges, theft, fire or hard disk failure. If you don't organise a system now, you'll probably forget about it until it's too late—not a good idea!

# Recording income

Many farmers like to use MYOB software to raise customer invoices and receipts, maintain a customer database and keep track of who owes them money. The next few sections of this guide explain how to do all of these things (see [Creating accounts and receipts below](#)).

On the other hand, it may not be appropriate to use MYOB software to record an invoice for every sale you make. Maybe your income comes from selling at market stalls or yard sales, or maybe you run independent farm software that's designed for tracking livestock. In these situations, it works better to issue hand-written receipts when requested and simply record daily or weekly banking as a single total in your MYOB software. See [Receiving money without recording sales on page 11](#) for more details on this way of working.

## Creating accounts and receipts

Whenever you create a sale, you can choose between three main invoice layouts: Service, Item and Professional (MYOB Accounting, MYOB Premier and MYOB AccountEdge have a Time Billing format also).

- Item invoices are usually the best format for farmers. You can set up everything you sell (whether livestock or produce) as an item, making for quick generation of invoices and automatic pricing.
- On the other hand, service invoices are best if your income is more service-based and you want to include lots of description on your invoices.
- Professional invoices (not usually so relevant for farmers) are best if you want to show what dates you worked, itemising your hours on each line.

## Creating an item invoice

Here's how to create an item invoice:

1. Click **Enter Sales** in the Sales Command Centre (or, for MYOB BusinessBasics and MYOB FirstEdge, click **New Sale** from your **Sales Register**).
2. Click **Layout** and select **Item**.
3. Enter the appropriate quantities, item number and price. (If this is the first time you're raising an invoice, you'll need to go to your **Lists** menu and create a new item for every different thing you sell.)
4. Enter any other details as relevant, such as customer purchase order number, salesperson, comment, shipping company and so on.

**Item invoices are quick and easy to create**



## Adapting the layout of your invoice

With all MYOB software, you can customise your invoices to meet your needs. You can change the fonts, add your own logo, draw boxes, add comments and much more. All you have to do is go to the Sales Command Centre, click **Print Invoices** and then click **Customise** (refer to MYOB help for more details on customisation commands).

Below is one possible way in which an invoice could be customised (this example is based on an Item invoice).

It's easy to customise your invoice to meet your needs

Qty	Description	Unit Price	Amount
1	1000g 100% Pure Maple Syrup	10.00	10.00
1	1000g 100% Pure Vanilla Extract	10.00	10.00

Total Amount Due: \$20.00  
Total Taxable: \$20.00

## Recording customer payments

Once you've learned how to record customer sales, you'll need to know how to record customer payments:

1. From the Sales command centre, click **Receive Payments**. (Or, if you're using MYOB BusinessBasics or FirstEdge, go to your **Bank Register** and select **Receive Payment**.)
2. Decide whether you want to deposit this payment straight into your bank account, or whether you want to use MYOB's undeposited funds feature. (See MYOB help for more about undeposited funds and how they work.)
3. Fill in the **Customer** name and the **Amount Received**.
4. Select the **Payment Method**.
5. Leave the **Memo** as is, unless there's anything particularly unusual about this payment that you want to note down. Similarly, tab past the **ID #** field, as this is just an audit number that MYOB creates for each transaction.
6. Tab through the columns and MYOB will apply the payment against outstanding invoices, starting from the oldest invoice first, and moving toward the most recent. If you want to apply a payment to a different invoice, simply click in the **Amount Applied** column next to the invoice concerned, and type in the payment amount.
7. Once you have done this, click **Record**.

# Recording income

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## Printing receipts

If you like, you can issue receipts for money received, rather than a full invoice. Receipts are essentially the same as an invoice, but are generally smaller with less detail. To print a receipt, go to the **Sales** command centre, record the payment, and click **Print Receipts**. (This feature is not available in MYOB BusinessBasics or MYOB FirstEdge.)

## Seeing how much you're owed

From the Sales Command Centre, click the **Analysis** down-arrow and choose **Receivables**, or, for MYOB BusinessBasics and MYOB FirstEdge, simply click **Analyse Receivables**. You'll see a summarised Analyse Receivables report, aged as at the current date, showing the names of all customers who owe you money and how overdue they are. You can click the zoom arrows next to any customer's name to go straight to a detailed breakdown of their outstanding invoices.

# Case study - Hacienda Studs

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**Business name:** Hacienda Studs

**Business overview:** Hacienda Studs uses MYOB Accounting Plus to run their farm accounts and manage their payroll.

The owner of Hacienda Studs, Angie, had done her books by hand for over twenty years before switching to MYOB Accounting Plus. Despite her reluctance to make the change, she now readily admits that doing her books with MYOB software takes half the time it used to when doing them by hand, and the additional reporting that comes with MYOB gives her added insight to her farm's finances.

Angie uses item purchases to record all supplier bills. The benefit of working in this way is that not only does she know how much she owes at any one time, but she can also keep track of supplier pricing. Every month, Angie runs reports by item, generating costing reports and price comparisons for all purchases. Armed with this information, she knows instantly when there's a sudden hike in costs (whether it's for feed or for vaccinations) and she's able to query her suppliers and in many cases, negotiate better deals.

Angie has also been printing financial reports every month and questioning the profitability of some of her farming activities. Talking through these results with her brother, a consultant in the city, she's hoping to fine-tune her business so that she sees more financial gain from all her hard work. When asked, she says that working with MYOB software has not only given her new skills but has also led to increased self-confidence and belief in her ability to control her own life.

# Receiving money without recording sales

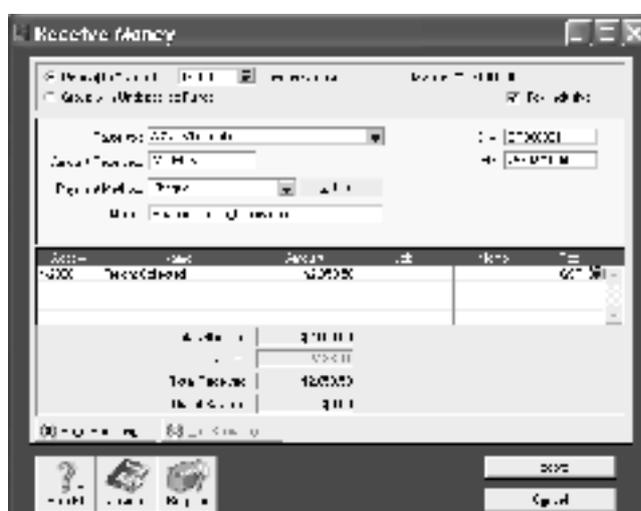
As mentioned earlier in this guide, it's not always appropriate to use MYOB software to record an invoice for every sale you make. If you're selling at market stalls or yard sales, or running independent farm software, the simplest approach will be to record daily or weekly banking as a single total in your MYOB software.

## Working with your bank statement to record income

If you're not recording every sale you make, rather you're working from your bank statement and recording every deposit made, here's what to do:

1. Go to **Receive Money** in the **Banking** command centre (or, if you're using MYOB BusinessBasics or FirstEdge, select **Receive Money** as your transaction type from the **Bank Register**).
2. Enter the **Date** of the deposit and, if relevant, the **Payor** (the Payor is the name of the person giving you the money).
3. Select the correct bank account in the top left-hand corner.
4. Enter the **Amount** and **Payment Method**.
5. If you reckon this deposit needs additional notes, write a comment in the **Memo** field. Otherwise, simply accept the memo offered.
6. Select an appropriate income account as your **Allocation Account**, check the Tax code is correct, then click **Record**.

If you prefer, you can record income without having to record a sale first



## Recording rebates and subsidies

The easiest way to record government fuel rebates or subsidies is to go to the **Receive Money** window. Select the **Amount** and **Payor**, write a brief description in the **Memo** (e.g. 'income from fuel rebate) and select an appropriate income account as the **Allocation Account**.

If you can't see a suitable account, go to your Accounts List and create one. Income accounts always start with 4- and rebate or subsidy accounts should be called something like Income from Fuel Rebate, Income from Interest Subsidy or Income from Landcare Grant.

# Recording cash that you spend before it's banked

Farmers often ask this question, as they receive many cash payments. Fortunately, there's a really easy way to deal with this situation.

Whenever you go to **Receive Payments** or **Receive Money**, you'll notice that you have the option to deposit customer payments direct into your bank account or group them with undeposited funds.

The idea of an undeposited funds account is that you record all customer payments as going into this account (whether they're cash, cheque or credit card payments). Then, if you spend cash before banking it, you record the expense as coming out of the undeposited funds account.

Later, when you deposit cash or cheques into your bank account, you create a bank deposit transaction that transfers the money *out* of undeposited funds and *into* your business bank account. You mark off the deposits, the cash that came in and the cash that went out. The difference is the amount that you intend to bank. You can see how it works in this screenshot.



**Undeposited funds accounts work well if you have lots of cash transactions**

# Dealing with expenses

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The simplest way to record expenses, suitable for many smaller farms, is to go to the Banking command centre and click **Spend Money** (or, for MYOB BusinessBasics and MYOB FirstEdge, go to your **Bank Register** and select **Spend Money** as the transaction type). See [Recording cheques, direct debits or electronic payments](#) below to find out more.

An alternative way to record expenses, suitable for larger farms, is to enter all supplier invoices in the Purchases command centre when you receive them. Later, these invoices are paid using **Supplier Payments**. (Note that purchases aren't available in MYOB BusinessBasics or FirstEdge.) This method works well if you have a substantial amount of accounts to be paid each month and you want to keep tabs on how much you owe, but by its very nature is a more complicated way of working. See [Recording supplier invoices on page 14](#) to find out more.

## Recording cheques, direct debits or electronic payments

To record an expense

1. Click **Spend Money** in the **Banking** command centre. (Or, if you're using MYOB BusinessBasics or MYOB FirstEdge, select the **Spend Money** transaction type in your **Bank Register**.)
2. Click the **Pay from Account** button in the top-left and select your bank account, or, if you plan to make this payment online, click **Group with Electronic Payments**.
3. For cheques, enter the cheque number in the **Cheque No.** field. For other transactions, such as credit card debits or electronic payments, simply ignore the **Cheque No.** field.
4. Enter the date and amount, and in the **Card** field, enter the name of the person you are paying. If you've never paid this person before, you'll see a list of cards, asking you to select one of them. Either double-click on a name to select it from the list or click **New** to create a new card.
5. Write a brief description in the **Memo** field, if desired.
6. In the **Acct#** column, specify which account this expense should go to.
7. Check the **Amount** is correct. Usually, this amount includes GST, assuming you've ticked the **Tax Inclusive** box on the top-right.
8. Fill in the **Job** column if you want to track expenses by particular projects or cost centres. Otherwise, leave this column blank.
9. If you want to include additional information about this transaction, do so in the additional **Memo** column that appears next to the **Job** column.
10. Check the **Tax** code, double-check the tax total (this calculates automatically), then click **Record**.

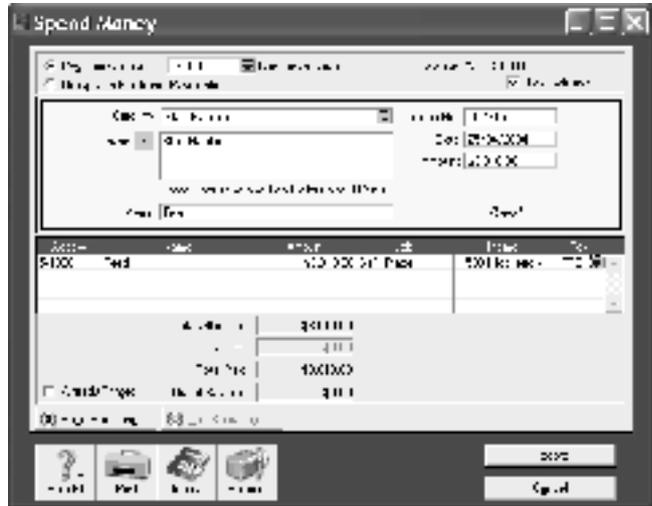
# Dealing with expenses

It's easy to record expenses

## Recording supplier invoices

Here's how to record a purchase:

1. From the Purchases command centre, click **Enter Purchases**.
2. Click the **Layout** button and select **Service** as your layout. (A service layout is usually best, unless you intend to keep inventory counts of an item, a scenario not usually relevant for farmers).
3. Fill in the supplier name and if required, enter the purchase order number.
4. Check the date and enter the supplier's invoice number in the **Supplier Inv#** field.
5. Choose your allocation account in the **Acct#** field. Don't worry about detailed descriptions, as they're usually not necessary. A general description such as 'seed', 'fertiliser' or 'livestock' does just fine.
6. Make sure the GST total matches with your supplier invoice; then click **Record**.



## Paying suppliers electronically

MYOB M-Powered® payments enable you to make electronic payments to your suppliers directly from your MYOB software. Once you subscribe to this service, you can use your MYOB software to record payments in your company file and then transmit these payments electronically using a secure link. The M-Powered Services Centre monitors the progress of all payments and, at your request, emails or faxes remittance advices direct to your suppliers.

If you pay more than five suppliers per week, M-Powered payments are well worth the fees. If you were to put a value on your own time (or on your bookkeeper's time) and calculate how long it takes you to pay a supplier (including writing a cheque, printing a remittance advice, writing their address on an envelope, entering the payment into your MYOB company file, and so on) as well as the costs (the envelope, the stamp, the petrol to the post office, etc.), then chances are that paying a supplier is much more expensive than you think.

M-Powered payments offer other benefits too, although these are somewhat less tangible. You can schedule payments to be made at future dates, ensuring that suppliers are paid on time, even when you're away from the business. Payments are more secure, as you pay directly from your account into your supplier's account (whereas cheques are

# Dealing with expenses

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more prone to fraud or getting lost in the mail). Finally, the M-Powered Services Centre keeps track of all online payments, including when payments are sent, when they're processed, if they fail due to insufficient funds, and so on.

Note that M-Powered payments are only available for MYOB Accounting, MYOB Accounting Plus and MYOB Premier.

For more information about M-Powered payments, including how to subscribe, the current pricing structures, or to read the Product Disclosure Statement, see [www.myob.com.au/m-powered/](http://www.myob.com.au/m-powered/).

## Dealing with credit cards

The easiest way to deal with credit cards is to think of them as if they were a bank account. Create a new liability account in your **Accounts List** and select **Credit Card** as the **Account Type**. This done, you record credit card debits in the same way as you record other types of payments. Here's what to do:

1. Go to **Spend Money** in the Banking command centre (or, for MYOB BusinessBasics and MYOB FirstEdge, go to your **Bank Register** and select **Spend Money** as the transaction type).
2. Select your credit card account as your bank account in the top left.
3. Record each separate transaction on the credit card in the same way as you would record cheques, the only difference being that you ignore the **Cheque No** field completely.

Don't forget to account for GST when recording credit card transactions. If you know an item definitely attracts GST (such as fuel payments or telephone expense), simply click the **Tax Inclusive** box and the GST component calculates automatically.

## Keeping tabs on petty cash

Most farmers end up paying lots of cash expenses directly from their own pocket, ending up with a pile of petty cash receipts at the end of each month. They're legitimate tax deductions, but how do you enter them?

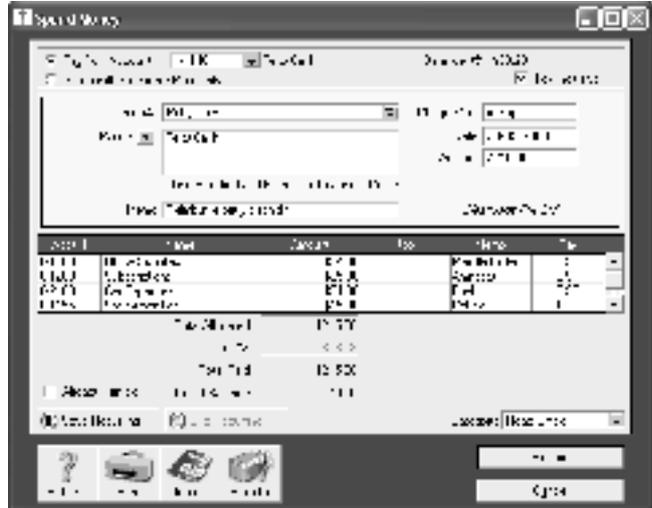
1. Pile these receipts into their various categories and then, with a calculator, add up the value of each pile of receipts. You might end up with \$40 worth of receipts for stationery, \$50 for postage, \$15 for travel and so on.
2. Next, go to **Spend Money** (or, for MYOB BusinessBasics and MYOB FirstEdge, go to your **Bank Register** and select **Spend Money** as the transaction type) and as your bank account, select Petty Cash in the top left corner.
3. As the **Amount**, enter the total value of all these receipts added together.
4. Split the transaction across the appropriate expense accounts, writing individual memos on each line, if desired.

# Dealing with expenses

## Recording petty cash transactions

## Recording personal drawings

Many farmers have one bank account that deals with all their finances, ending up with a mixture of business and personal transactions. The correct way to record personal drawings depends on whether your farm is set up as a company, a partnership, or a sole trader.



- If your farm is structured as a company, personal drawings should either be recorded as Wages (a 6- account), or against your Directors Loan account (usually a 2- account).
- If your farm is structured as a partnership or sole trader, drawings should be recorded as Drawings (a 3- account).

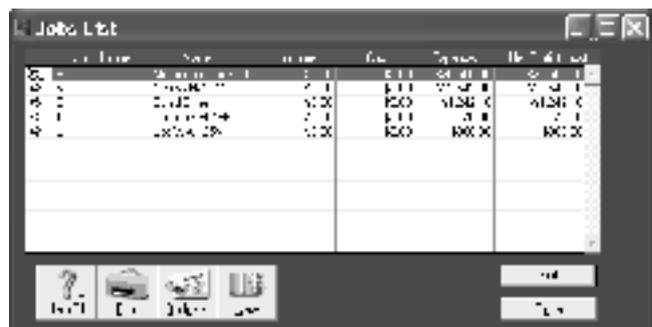
If you're still unsure as to the best way to record personal drawings, consult your accountant.

## Monitoring truck and vehicle expenses

For many farmers, keeping trucks and vehicles on the road is their biggest business expense. If you have several vehicles, you can set up your MYOB software so that it tracks exactly how much each vehicle costs not only every year, but since the date of purchase.

To set up MYOB software for this purpose, go to your **Accounts List** and, under a heading called Farm Vehicles, create three expense accounts: Fuel & Oil, Rego & Insurance and Repairs & Maintenance.

Next, go to your **Jobs List** (go to the **Lists** menu and select Jobs) and create a new job number for each separate vehicle. The screenshot below shows a jobs list which includes a job number for each vehicle:



You can use jobs to track expenses for each vehicle on your farm

# Dealing with expenses

Throughout the year, when you record vehicle expenses, allocate these expenses to the correct account (for example, Fuel & Oil) and to the correct job number.

To print a report that shows the total costs for any particular vehicle, go to the **Accounts** tab of your reports menu. Select the **Job Profit & Loss** report, clicking the **Customise** button to select the vehicle.

Account Name	Your Profit
H Hilsen HDT 1271	
Expenses	
Fuel & Oil	\$2,224.50
Petrol & Lubricants	\$1,540.00
Petrol & Lubricants	\$2,279.50
Total Expenses	\$6,044.00
Net Profit	\$12,752.00

You can create expense reports for every vehicle

## Adjusting for abattoir or yard fees

When you sell livestock at a yard sale or abattoir, the payment you receive is reduced by abattoir or yard fees. For example, an agreed price per goat might be \$50 a head, but you only receive \$48.50 per head, with \$1.50 per head deducted in miscellaneous fees. In order for your financial reports to be correct, it's best to separate these fees when recording income.

If you normally record income using item invoices, here's how to record these fees:

Note: The following procedures require you to create an "NEG" tax code. See MYOB Support Note 1775 available from <http://support.myob.com.au> for instructions on how to set up this tax code.

1. Go to your **Items List** and click **New**.
2. Create a new item called 'Fees'. Mark the **I Sell This Item** checkbox and choose a cost of sales **5-** account called something like Abattoir/Yard fees as the **Income Account for Tracking Sales**. You'll see a warning saying that this account is normally an income account, not a cost of sales account, but you can ignore this warning — what you're doing is fine.
3. Click the **Selling Details** tab for this item and select **NEG** as the **Tax Code When Sold**.
4. Click **Enter Sales** in the Sales command centre or click **New Sale** in the Sales Register.
5. Enter the **Quantity** and **Price** of whatever livestock you're selling, but then add an additional line item for fees. Enter **-1** in the **Quantity** column, 'Fees' in the **Item #** column, and the total fee charged in the **Price** column. Remember that the tax code for such fees must be **NEG**, even if the code for the livestock itself is **FRE**.

# Dealing with expenses

Set up yard or abattoir fees so you can show this expense when recording the sale

If you normally record income using the **Receive Money** window, here's how to record abattoir or yard fees:



1. Go to **Receive Money** in the **Banking** command centre (or, if you're using MYOB BusinessBasics or FirstEdge, select **Receive Money** as your transaction type from the **Banking Register**).
2. Enter the **Date** of the deposit and the name of the yard or abattoir as the **Payor**.
3. Enter the net payment you received as the **Amount**.
4. On the first line, select an income account such as 'Income from Livestock Sales' as your **Allocation Account**, and as the **Amount**, enter the gross amount of the sale. Check the Tax code is correct.
5. On the second line, select a cost of sales account (5-) such as 'Abattoir/Yard Fees' as your **Allocation Account**, and as the **Amount**, enter the value of fees deducted, and select **NEG** as the tax code. However, the trick is to enter this amount as a *minus* figure.
6. If done correctly, this transaction should balance! Click **Record**.

# Managing your assets

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Farming is a very capital-intensive kind of business. Not only is it important that you record new equipment correctly (so that you remember to claim your input tax credits and so that your accountant claims depreciation), but it's important to keep track of what assets you own, and where they're located. The next couple of sections in this guide deal with these issues.

## Purchasing new equipment or tools

A common question asked by farmers is where to allocate the purchase of new equipment or tools. The answer is complicated, because it depends on whether or not you belong to the Simplified Tax System. (If you're not sure whether you do, ask your accountant.)

### If you belong to the Simplified Tax System

If a piece of equipment costs \$1,000 or less (before GST), then allocate your purchase to an expense account called Tools – Repairs & Replacements. Include a detailed description in the **Memo** field, as your accountant may ask you about this transaction later.

If a piece of equipment costs more than \$1,000 (before GST), then allocate your purchase to an asset account called Tools or Plant & Equipment. Include a detailed description in the **Memo** field, as your accountant will need this information when creating your depreciation schedule. If this tool is a replacement for an old tool that you have sold or scrapped, note this in the **Memo** field also.

### If you *don't* belong to the Simplified Tax System

You may need to allocate new tools to an asset account called Tools. Include a detailed description in the **Memo** field, as your accountant will need this information when creating your depreciation schedule. If this tool is a replacement for an old tool that you have sold or scrapped, also note this in the **Memo** field.

## Managing depreciation

If you are like most farmers, you probably own a substantial amount of assets (tractors, tools, motor vehicles, computers, etc). If this is the case, not only will depreciation be a major tax deduction for your farm, but in order to ensure you're correctly insured, you'll want to keep a good track of your assets and their values.

If you want to set up your own asset register, then it's worth taking a look at MYOB AssetManager Pro. AssetManager Pro is designed in a way that looks and feels similar to other MYOB software, with similar account numbering and structures. You can keep an organised record of your assets, as well as calculate monthly and annual depreciation figures. AssetManager Pro can track assets by location, cost centre or any other way you choose, and keep a detailed log of service calls for equipment.

To find out more about MYOB AssetManager Pro, visit [www.myob.com.au/products/assetmanager\\_pro/](http://www.myob.com.au/products/assetmanager_pro/).

# Loans, leases and hire purchase

Many farmers have substantial borrowings and consequently, loan repayments, leases and hire purchase payments often constitute a major part of their monthly outgoings.

If you're anxious that your Profit & Loss reports accurately reflect your farm's profitability, you need to record all these payments properly, splitting interest and principal, claiming the GST on lease payments and so on. Although the next few sections of this guide explain how to record such payments, do talk to your accountant first to ensure you're taking the correct approach, according to your individual circumstances.

## Showing interest correctly in your accounts

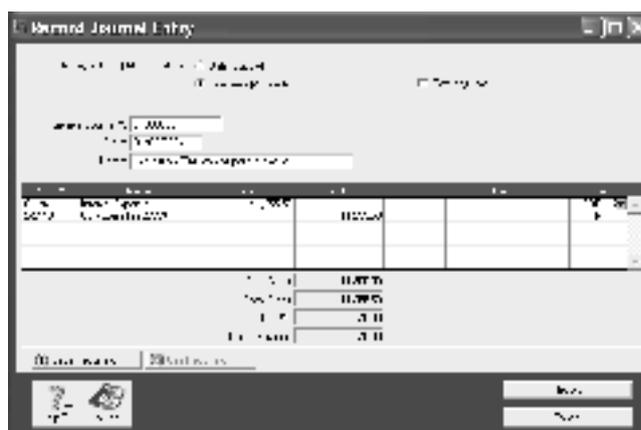
These loan repayments are usually a mixture of interest and principal. The interest is an expense and the principal reduces the amount of the loan.

To show loan repayments correctly, follow these simple steps:

- 1 Record loan payments in the **Spend Money** window, allocating the payments to a liability account (create a new account if there's not a suitable one there already). The account should be called something like Home Equity Loan, Business Loan or Equipment Loan.
- 2 Every three or six months, request a bank statement for your loan account. When you receive this statement, go to your Accounts command centre and click **Record Journal Entry**.
- 3 Create a separate journal entry for each month's interest, dating it for the month when the interest was charged. Record the amount of interest charged by *debiting* your Interest Expense account and *crediting* your loan liability account. Insert any bank fees by *debiting* Bank Charges Expense and *crediting* the loan liability account. Click **Record** to complete each journal.

### Journaling interest on loan accounts

- 4 Go to your **Reconcile Accounts** window. Enter the loan account number in the **Account** field.
- 5 Reconcile the loan account against the loan account statement in the same way as you would reconcile your normal business bank account.



# Loans, leases and hire purchase

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## Recording hire purchase and lease payments

Many farmers purchase new equipment or tools using a lease or hire purchase agreement. (It's worth checking out the original documentation to verify what form of finance you've chosen, as your accountant treats leasing and hire purchase transactions in different ways.)

To record a lease or hire purchase payment, here's what to do:

- 1 Go to the **Spend Money** window (or, for MYOB BusinessBasics and MYOB FirstEdge, go to your **Bank Register** and select **Spend Money** as the transaction type).
- 2 Override the **Cheque No** and replace it with the letters 'dd' (standing for direct debit).
- 3 Enter the **Date** and **Amount** and the name of the bank or finance company as the **Card**. In the **Memo** write a description of the equipment that is being purchased.
- 4 Select either "Leasing Expense" or "Hire Purchase Expense" as the **Allocation Account**. If you don't have such an account, go to your **Accounts List** and create one.
- 5 For leases, check the **Tax** code is correct. (Almost all leases have a straight 1/11<sup>th</sup> GST on each payment, but check with your accountant to make absolutely sure.)
- 6 For hire purchase, see [Claiming GST on hire purchase](#) below for details about the correct **Tax** code to select.
- 7 Click **Record** to complete the transaction.

**Note:** if your equipment is hire purchased (rather than leased) then your accountant will make further adjustments at end of financial year, journaling both depreciation and your hire purchase loan account.

## Claiming GST on hire purchase

If you report for GST on an accrual basis, then you can claim back all of the GST on an asset as soon as you finalise the hire purchase contract. Talk to your accountant about how to record the purchase of this asset in your MYOB software, bearing in mind that you'll need to select **CAP** as your tax code (standing for capital acquisitions) so that the purchase of this asset comes up correctly on your next Business Activity Statement. Having claimed back all the GST in this way, you then record your monthly hire purchase payments using **N-T** (standing for not reportable) as the tax code.

If you report for GST on a cash basis, then you claim back the GST progressively with each payment. However, GST isn't a straight 1/11<sup>th</sup> of each payment, as payments are always a mixture of principal and interest. Ask your accountant how much GST you should claim back with each payment.

# Reporting for primary and non-primary production

If you derive income from sources other than farming, the tax office asks that you report separately on primary and non-primary production income and expenses. Fortunately, MYOB software makes such analysis very straightforward. With care, you can set up your company file so that MYOB software can produce a Profit and Loss for primary production activities, a Profit and Loss for non-primary production activities, and a Profit and Loss for all your business activities combined. In short, everything your accountant could ever dream of!

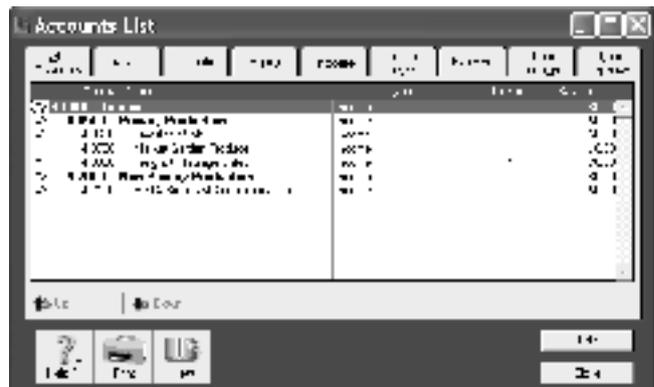
## Designing your accounts list to report on different types of income

One of the simplest ways to separate primary production from non-primary production is to incorporate sufficient detail in your accounts list, categorising income and expenses properly and grouping categories properly using **Header** and **Detail Accounts**.

Go to your **Accounts List**, click the **Income** tab, and read what's there. Then think about where you derive your income from. Don't only separate primary production from non-production, but consider also if there's different activities within each of these categories.

For example, in the screenshot below, you can see how this farm has set up their income accounts so that under primary production, they report on livestock sales, market garden sales and freight income. Under the heading of non-primary production, this farm has a category for bed & breakfast accommodation.

Design your accounts list carefully and the result will be highly informative financial reports



You'll find it's easy to customise your accounts list so that it fits your business. Here's what to do:

- 1 Click **New** and create two new **Header Accounts**: one called "Primary Production Income" and another called "Non Primary Production Income".
- 2 Edit account numbers of all your income accounts so that **Detail Accounts** are grouped correctly under one or other of these header accounts. For example, you would group "Income - eggs" under Primary Production, and "Income - Bed & Breakfast" under Non Primary Production Income.
- 3 If a detail account doesn't appear 'indented' under a header account, click the **Up** and **Down** buttons to align it correctly.
- 4 Repeat the procedure for your cost of sales and expense accounts, grouping accounts according to whether they are primary or non-primary production.

# Reporting for primary and non-primary production

## Analysing the profitability of different business activities

In your MYOB software, you'll find that every transaction can be coded in several different ways. For example, when entering a **Spend Money** transaction, the **Card** shows the name of the supplier; the **Allocation Account** shows the type of expense and the **Job** column shows the project, job or cost centre.

Although coding transactions by job is entirely optional, once complete, it offers the ability to print a whole range of job reports, including Profit & Loss statements and detailed transaction listings. The idea is that you can get separate reports for each cost centre of your farm. For example, a farm that sells produce, provides transport services for feed and offers Homestay accommodation can get Profit & Loss reports for each part of their business and *still* get a report for the farm as a whole.

In the screenshot below, the farm is entering a fuel bill relating to their transport services. Notice how the job column reads 'TRANSPORT'.

**Job codes let you analyse the profitability of different cost centres within your farm**



To create a new job for each cost centre within your farm, go to the

**Lists** menu, click **Jobs** and then click **New**. Enter a **Job Name**, **Job Number** and a short description, if required. This is usually enough information to get started with (ignore additional fields such as **Start Date**, **Finish Date** and **Manager**). Click **OK** to return to your **Jobs List**.

# Livestock reporting

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If you buy or sell livestock, you have to create livestock reports as part of your annual reporting for taxation purposes. Many farms have specialised software for creating such reports, while other smaller farms rely on their accountants to generate livestock reports.

It's also possible to use MYOB software to generate all the information you need to create a livestock report. Whether this is the best approach depends on the volume and complexity of your livestock transactions, so do talk to your accountant first.

## Using MYOB software to record livestock information

Here is a simple overview of how you can use MYOB software to record the purchase, sale, birth and death of your animals:

- **Preparing for livestock reporting:** Create a separate inventory item for each species of animal you farm (not for each animal). In other words, if you farm both sheep and cattle, then create two inventory items: one for sheep and one for cattle.
- **Purchasing animals:** To record the purchase of animals, enter an item purchase. Select the appropriate item code, enter the quantity and cost price and in the **Journal Memo**, write a brief description.
- **Selling animals:** To record the sales of animals, enter an item sale. Select the appropriate item code, enter the quantity and sale price and in the **Journal Memo**, write a brief description.
- **Recording births:** To record the live birth of an animal, go to **Adjust Inventory**. As the **Unit Cost**, use the reference amount as given by the Taxation Office for value at birth and as the **Account**, select an income account called 'Income from Natural Increase'.
- **Recording deaths:** To record the death of an animal, go to **Adjust Inventory**. As the **Account**, select an income account called 'Death from Natural Causes'. Enter the quantity of deaths as a negative amount.

## Providing information to your accountant

If you record sales, purchases, births and deaths in the manner calculated above, you can use MYOB software to generate all the information that your accountant needs in order to create a livestock report:

- An **Item Sales [Detail]** report, found in the **Sales** tab of the **Index to Reports** window gives details of all livestock sales, including dates, quantities and sell price.
- An **Item Purchases [Detail]** report, found in the **Purchases** tab of the **Index to Reports** window, gives details of all livestock purchases, including dates, quantities and cost price.
- A **General Ledger [Detail]** report, found in the **Accounts** tab of the **Index to Reports** window, gives details of all births and deaths, including dates and animal cost. (You will need to customise this report to select 'Income from Live Births' and then 'Death from Natural Causes' as the accounts.)
- An **Inventory Value Reconciliation** report, found in the **Inventory** tab of the **Index to Reports** window, showing the value of your livestock as at the end of financial year.

# Case Study - Wolgin Orchards

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**Business Name:**

**Wolgin Orchards**

**Business Profile:**

**Wolgin Orchards have two apple orchards in the Wolgin Valley. They sell apples and apple juice to local grocers and supermarkets.**

The manager at Wolgin Orchards, Adam, always suspected that the apple sales were profitable and the juice sales rather marginal. By using the jobs feature in MYOB software to analyse the profitability of juice production and juice sales, Adam was able to confirm his gut-instinct. With further analysis, he established that the real cost was the transport and delivery of juice to his customers. Adam decided to subcontract out the juice delivery run and now focuses simply on growing apples and producing apple juice.

The other headache for Adam had always been the huge number of itinerant fruit-pickers. At last, Adam gave up struggling with wages books and instead, with the help of MYOB Accounting Plus, automated his payroll. The payroll component of MYOB Accounting Plus keeps tabs on every employee, their tax file numbers, tax scales (for both residents and non-residents), superannuation and more. The payroll even caters for hourly rates and piece rates, or a combination of both.

MYOB software makes accounting for GST about as easy as something so complex could be. So long as you record all your transactions and allocate the right tax code to each one, there's not a great deal that can go wrong. The main thing to remember is to allocate the right tax code when recording transactions. This done, everything else should fall into place.

## Recording GST on income and expenses

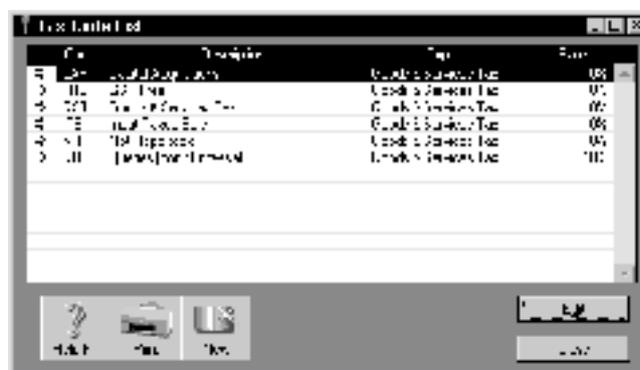
Whenever you record a transaction, you can choose whether to enter the amount as tax-inclusive or tax-exclusive by marking or clearing the **Tax Inclusive** checkbox in the top right of every window. (When recording payments or receipts in MYOB BusinessBasics and FirstEdge, you may have to click the **Split** button in order to view this option.)

Usually, you'll find it easiest to mark the **Tax Inclusive** checkbox and enter all amounts including tax. You'll find that the GST calculates automatically and you don't have to go looking up every receipt to double-check the tax total.

## Deciding what GST codes you need

Most farmers find that they only need six tax codes: **CAP**; **FRE**; **GST**; **ITS**; **N-T** and **QUE**. To review your codes, go to the **Lists** menu and select **Tax Codes**. Comparing your list with the list shown below, delete any codes you don't need (they'll only serve to cause confusion) and add any codes that are missing. For all tax codes, the **Linked Account for Tax Collected** should be **GST Collected from Sales** and the **Linked Account for Tax Paid** should be **GST Paid on Purchases**. Once you're finished, your tax code list should look similar to the one below:

Tidy up your tax code list so that it looks something like this



Code	Description	Rate
01	Goods & Services Tax	0%
02	Goods & Services Tax	0%
03	Goods & Services Tax	0%
04	Goods & Services Tax	0%
05	Goods & Services Tax	0%
06	Goods & Services Tax	0%

What do the different codes mean? Here's an explanation:

### CAP (GST on capital acquisitions)

If you buy new tools, equipment or vehicles that cost more than \$1,000 before GST (assuming you're part of the Simplified Tax System) or if you buy new tools, equipment or vehicles (if you're not part of the Simplified Tax System), you need to report these purchases separately on your Business Activity Statement. To do this, you may need a separate tax code called **CAP**. If you're not whether or not sure you're part of the Simplified Tax System, ask your accountant.

## **FRE (GST-free goods and services)**

Use **FRE** as your tax code for GST-free supplies such as bank charges, donations or government charges. **FRE** is also the code for sales and purchases of livestock or produce.

## **GST (goods and services tax)**

**GST** is the tax code for most of your business expenses, such as advertising, consultancy fees, electricity, petrol, telephone and so on.

## **ITS (input taxed sale)**

Most farmers only use **ITS** for interest income. However, if you have any residential real estate investments, use **ITS** as the code for recording rental income.

## **N-T (not reportable)**

**N-T** stands for not reportable and is the code you use for everything that falls outside the GST net, such as wages; superannuation; loan repayments; bank transfers and personal spending.

## **QUE (query)**

Use the query code whenever you're not sure what code to use. That way, when you get to the end of the quarter, you can print a report for all transactions coded **QUE** and ask your accountant or MYOB Certified Consultant to give you a hand choosing the correct codings.

## Deciding what codes to use when

One of the tricky things when first recording income and expenses is to figure about what tax code to use when. Here are tips to help you out, written especially with farmers in mind:

### **Items with GST as the tax code**

- Most expenses, including things such as advertising, electricity, postage and telephone.
- Merchant fees on credit cards.
- Commercial rental expense.
- Travel within Australia.

### **Items with FRE as the tax code**

- Donations, most bank charges and interest expense. (However, watch out, as merchant fees should have GST as the tax code.)
- Government charges, including licence renewals, motor vehicle registration, council rates, water rates, land tax and stamp duty.
- Milk, tea, coffee and some first aid supplies.

- Residential rent expense.
- Overseas travel.
- Subcontractors who have an ABN but aren't registered for GST.

### Items with CAP as the tax code (CAP stands for 'GST on capital acquisitions')

- Assuming you're registered for the Simplified Tax System (ask your accountant if you're not sure), select **CAP** as the tax code for all purchases of new equipment, motor vehicles or tools over \$1,000. If you're not registered for the Simplified Tax System, *most* capital acquisitions should have **CAP** as the tax code.

### Items you should check with your accountant or supplier

- The tax code for hire purchase and lease payments depend on what you're paying off, when you bought it and how your accountant intends to treat it. Ask your accountant.
- Insurance is tricky, because almost every insurance policy is a mixture of taxable and tax-free (stamp duty doesn't have GST on it). Double-check the exact amount of GST on every insurance payment.

### Items with N-T as the tax code

- 100% private-use expenses.
- Superannuation expense.
- Tax refunds.
- Transfers between bank accounts.
- Wages.

## Recording transactions if you're not registered for GST

If you have an ABN, but you aren't registered for GST (as is the case for some hobby farmers who have a turnover of less than \$50,000 a year), simply enter **N-T** as the tax code for every transaction.

Your customers may also find it helpful if you customise your invoice to make it clear that you're not charging GST. Here's what to do:

1. Go to the **Sales** command centre, click **Print Invoices**, pick your **Invoice Type** at the top and select your customised invoice format from the **Selected Form for Invoices** drop box. Click **Customise**.
2. Highlight the field called 'Invoice Type' and press Delete. This removes the words 'Tax Invoice' from the standard invoice template.
3. Now click the text tool in the toolbar and then click on the invoice somewhere near the **Comment** field. A box called **Text Field** should appear.

4. Double-click this box and enter the words 'Our business has an ABN but is not registered for GST. Therefore, all prices are GST-free' as your **Text**. Modify the **Font** and **Size** to suit the rest of the invoice. Click **OK**.
5. If necessary, expand the size of the text field so that all the text fits in. (Change the size of a field by resting your mouse on the bottom right corner of the field and dragging this corner outwards.)
6. Click **Save Form As** and enter 'Invoice' as the form **Description**. Then click **OK** to return to the **Print Invoices** window.

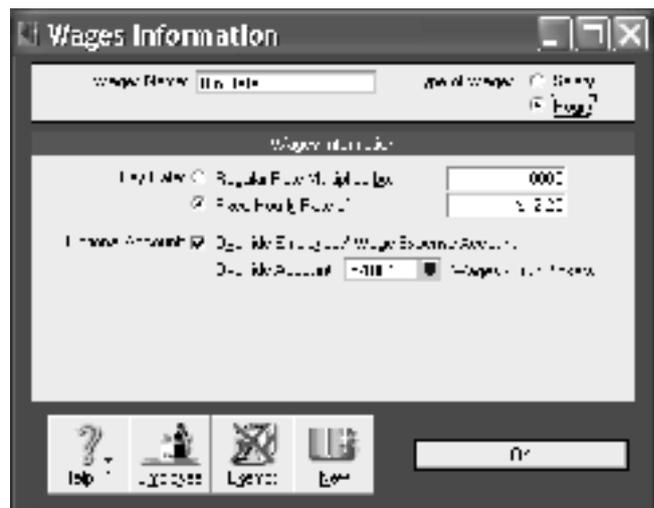
# Organising employees and subcontractors

If your farm has employees during the course of the year, then make sure you're using MYOB Accounting Plus, MYOB Premier or MYOB AccountEdge. These software versions all offer integrated payroll so that you can track wages, calculate PAYG tax, produce superannuation reports, print pay advices and generate payment summaries at end of year. Compared to doing payroll by hand, you'll save hours and hours of time.

## Paying employees on bin rates or piece rates

Many farms pay seasonal workers on bin rates or piece rates. Although at first glance, MYOB software is geared towards hourly rates, you can easily adapt your payroll categories to cater for bin rates.

1. Go to the **Payroll** command centre and click **Payroll Categories**. Select the **Wages** tab and click **New**.
2. Type in a suitable name for wages, such as "Apples – per bin" and click **Hourly** as the **Type of Wages**.
3. Click **Fixed Hourly Rate** and enter the rate per bin.
4. If you would like to show these wages as a separate line category on your Profit & Loss report, click against **Optional Account** and enter a wages account specifically relating to this category. A good choice might be a cost of sales account called "Wages - fruit pickers".
5. Click **Employees** and select the employees who are paid this rate.



Setting up a new payroll category for bin or piece rates

The screenshot above shows a new payroll category called "Bin Rate". This payroll category is linked to a cost of sales account (5-) called "Wages - fruit pickers".

Having set up this new payroll category, go to **Pay Employees**. Select the employee's name and you should see your new payroll category pop up as a line in their pay. Enter the number of bins picked in the **Hours** column against this category and your MYOB software will complete the rest of the calculation, including tax and superannuation.

# Organising employees and subcontractors

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## Allowing for zone rebates and different tax scales

As employers, farmers often encounter complex tax situations, faced not only with zone rebates but with different tax scales for shearers, horticulturalists, non-residents and so on. Here are some tips to help:

- If an employee starts work with you without first supplying a Tax File Number, be tough with them until they do. Go to the payroll information window for this employee, and select **No TFN Resident** or **No TFN Non-Resident** as the tax scale (being taxed 48.5 cents in the dollar will soon motivate any recalcitrant employee to supply you with a Tax File Number!)
- If your farm is located in a remote area, your employees may be entitled to zone rebates. Ask the tax office for assistance calculating the annual value of such rebates and enter this value in the **Total Rebates** field in the employee's payroll information.
- For travellers on working visas, select **Non-Residents, No TFN Non-Resident, Shearers Non-Resident, Non-Resident & FS** or **Horticultural Non-Resident** as the tax scale.
- For shearers or horticultural workers (whether resident or non-resident), scroll down the tax scales to find the scale relating specifically to these occupations.

