

Lecture XV: Common Sized Accounting Statements

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1 Common Sized Financial Statements

Common Sized Financial Statements

- Another form of ratio analysis involves comparing the common sized income statements and balance sheets.
- For example, Table 1 presents the Agricultural Resource Management Survey income statements for all farms in the corn belt.
- One approach to analyzing the performance of firms is to compare the operating results of firms in similar lines of business.
- A direct comparison is sometimes hindered by differences in the size of the firm.
 - Illinois farms have roughly three times the level of sales as Missouri farms.

Agricultural Resource Management Survey Income Statements for Corn Belt, 2010

	Illinois	Indiana	Iowa	Missouri
Farms	76,001	62,001	92,400	108,002
Gross cash income	184,684	129,115	216,972	62,965
Livestock income	18,887	24,384	63,746	19,589
Crop sales	141,146	85,418	115,293	31,944
Government payments	7,535	4,908	8,433	2,858
Other farm-related income	17,116	14,405	29,501	8,574
Total cash expenses	133,799	101,222	154,539	44,964
Variable expenses	93,615	74,191	108,505	34,789
Livestock purchases	2,763	1,252	10,280	2,555
Feed	5,365	8,667	18,249	3,969
Other livestock-related	1,063	1,545	1,929	644
Seed and plants	20,163	12,792	16,555	4,695
Fertilizer and chemicals	33,209	23,921	26,141	8,607
Utilities	2,279	1,835	2,750	1,187
Labor	5,985	6,363	7,191	2,698
Fuels and oils	8,764	6,162	8,168	3,900
Repairs and maintenance	8,463	7,281	10,190	4,028
Machine-hire and custom work	2,331	1,405	3,181	896
Other variable expenses	3,230	2,968	3,871	1,612

	Illinois	Indiana	Iowa	Missouri
Fixed expenses	40,184	27,031	46,034	10,175
Real estate and property taxes	4,013	3,599	4,810	1,558
Interest	7,104	5,614	8,352	2,669
Insurance premiums	5,701	3,637	5,768	1,839
Rent and lease payments	23,366	14,181	27,104	4,108
Net cash farm income	50,885	27,893	62,433	18,001
Depreciation	17,524	12,658	20,242	5,040
Labor, non-cash benefits	N/A	389	191	117
Value of inventory change	21,795	11,882	31,328	4,531
Nonmoney income	6,027	7,950	6,575	5,699
Net farm income	61,016	34,679	79,903	23,074

Common Sized Income Statements for Corn Belt, 2010

Item	State Data				Average	Std. Dev.
	Illinois	Indiana	Iowa	Missouri		
Gross cash income	100.0	100.0	100.0	100.0	100.0	0.00
Livestock income	10.2	18.9	29.4	31.1	22.4	9.76
Crop sales	76.4	66.2	53.1	50.7	61.6	11.99
Government payments	4.1	3.8	3.9	4.5	4.1	0.31
Other farm-related income	9.3	11.2	13.6	13.6	11.9	2.08
Total cash expenses	72.4	78.4	71.2	71.4	73.4	3.41
Variable expenses	50.7	57.5	50.0	55.3	53.4	3.62
Livestock purchases	1.5	1.0	4.7	4.1	2.8	1.85
Feed	2.9	6.7	8.4	6.3	6.1	2.30
Other livestock-related	0.6	1.2	0.9	1.0	0.9	0.25
Seed and plants	10.9	9.9	7.6	7.5	9.0	1.70
Fertilizer and chemicals	18.0	18.5	12.0	13.7	15.6	3.20
Utilities	1.2	1.4	1.3	1.9	1.5	0.31
Labor	3.2	4.9	3.3	4.3	3.9	0.82
Fuels and oils	4.7	4.8	3.8	6.2	4.9	0.99
Repairs and maintenance	4.6	5.6	4.7	6.4	5.3	0.85
Machine-hire and custom work	1.3	1.1	1.5	1.4	1.3	0.17
Other variable expenses	1.7	2.3	1.8	2.6	2.1	0.42

Item	State Data				Average	Std. Dev.
	Illinois	Indiana	Iowa	Missouri		
Fixed expenses	21.8	20.9	21.2	16.2	20.0	2.58
Real estate and property taxes	2.2	2.8	2.2	2.5	2.4	0.29
Interest	3.8	4.3	3.8	4.2	4.0	0.26
Insurance premiums	3.1	2.8	2.7	2.9	2.9	0.17
Rent and lease payments	12.7	11.0	12.5	6.5	10.7	2.88
Net cash farm income	27.6	21.6	28.8	28.6	26.7	3.41
Depreciation	9.5	9.8	9.3	8.0	9.2	0.79
Labor, non-cash benefits	N/A	0.3	0.1	0.2	0.2	0.10
Value of inventory change	11.8	9.2	14.4	7.2	10.7	3.13
Nonmoney income	3.3	6.2	3.0	9.1	5.4	2.86
Net farm income	33.0	26.9	36.8	36.6	33.3	4.63

Agricultural Resource Management Balance Sheets for Corn Belt, 2010

	Illinois	Indiana	Iowa	Missouri
Farm assets	1,360,259	965,531	1,457,219	693,766
Current	213,445	148,813	222,610	97,285
Livestock inventory	6,231	7,764	26,357	9,059
Crop inventory	83,649	47,941	79,772	13,525
Purchased inputs	16,168	8,208	18,626	2,674
Cash invested in growing crops	4,152	2,708	4,817	957
Prepaid insurance	1,425	909	1,442	460
Other	101,821	81,283	91,595	70,611
Non-current	1,146,814	816,718	1,234,610	596,481
Investment in cooperatives	3,511	N/A	4,757	753
Land and buildings	988,484	702,711	1,058,395	508,627
Operators dwelling	77,030	101,466	84,003	70,662
Farm equipment	145,558	101,158	151,078	64,222
Breeding animals	9,261	12,043	20,380	22,878

	Illinois	Indiana	Iowa	Missouri
Total Liabilities and Equity	1,360,259	965,532	1,457,219	693,766
Farm liabilities	133,973	104,411	134,792	47,792
Current	53,233	33,380	49,111	14,675
Notes payable within one year	32,487	17,614	26,015	7,461
Current portion of term debt	10,145	8,155	11,228	4,250
Accrued interest	3,701	2,904	3,688	1,345
Accounts payable	6,900	4,708	8,180	1,618
Noncurrent	80,740	71,030	85,681	33,117
Nonreal estate	14,411	9,511	17,195	6,277
Real estate	66,329	61,519	68,486	26,841
Farm equity	1,226,286	861,121	1,322,427	645,974

Common Sized Balance Sheets for Corn Belt, 2010

Item	State Data				Average	Std. Dev.
	Illinois	Indiana	Iowa	Missouri		
Farm assets	100.0	100.0	100.0	100.0	100.0	0.00
Current	15.7	15.4	15.3	14.0	15.1	0.75
Livestock inventory	0.5	0.8	1.8	1.3	1.1	0.57
Crop inventory	6.1	5.0	5.5	1.9	4.6	1.87
Purchased inputs	1.2	0.9	1.3	0.4	1.0	0.40
Cash invested in growing crops	0.3	0.3	0.3	0.1	0.3	0.10
Prepaid insurance	0.1	0.1	0.1	0.1	0.1	0.00
Other	7.5	8.4	6.3	10.2	8.1	1.64
Non-current	84.3	84.6	84.7	86.0	84.9	0.75
Investment in cooperatives	0.3	N/A	0.3	0.1	0.2	0.12
Land and buildings	72.7	72.8	72.6	73.3	72.9	0.31
Operators dwelling	5.7	10.5	5.8	10.2	8.1	2.66
Farm equipment	10.7	10.5	10.4	9.3	10.2	0.63
Breeding animals	0.7	1.2	1.4	3.3	1.7	1.14

Item	State Data				Average	Std. Dev.
	Illinois	Indiana	Iowa	Missouri		
Total Liabilities and Equity	100.0	100.0	100.0	100.0	100.0	0.00
Farm liabilities	9.8	10.8	9.2	6.9	9.2	1.65
Current	3.9	3.5	3.4	2.1	3.2	0.78
Notes payable within one year	2.4	1.8	1.8	1.1	1.8	0.53
Current portion of term debt	0.7	0.8	0.8	0.6	0.7	0.10
Accrued interest	0.3	0.3	0.3	0.2	0.3	0.05
Accounts payable	0.5	0.5	0.6	0.2	0.5	0.17
Noncurrent	5.9	7.4	5.9	4.8	6.0	1.07
Nonreal estate	1.1	1.0	1.2	0.9	1.1	0.13
Real estate	4.9	6.4	4.7	3.9	5.0	1.04
Farm equity	90.2	89.2	90.8	93.1	90.8	1.65