

Cattle and Horse Beginning and Ending Fiscal Year Inventory by Category

Objective

This decision aid provides a framework for the user to record inventories for various categories of cattle and horses on a given date. Inventories of these types are essential in the development of accrual adjusted income statement and the business balance sheet or financial statement. IRS has requirements for recording purchased cattle and for maintenance of the depreciation schedule. The value of cattle assets is at the time balance sheet is prepared. The broad categories reflected that can be modified to fit the business:

Purchased or Raised – See details below

Breeding Cattle – breeding cows, replacement heifers and herd bulls.

Market Cattle – weaned, feeder, stocker, background or feedyard finishing cattle.

Horses – breeding of working horses.

Keeping breeding stock purchaser separate.

It is necessary for IRS reporting to identify purchased cattle as they need to be on the depreciation schedule. When reporting for IRS using the Schedule F cost of the sales of purchased marketed is matched with the value of sales. The purchased breeding stock purchases, sales, and death loss is necessary for maintenance of the IRS based depreciation schedule.

An alternative version of this inventory is available for ranches having both registered or seed stock cattle and commercial cattle.

Input

Data required in the use of this decision aid include the number of head and value (or cost) per head of each of the cattle categories that apply to the user's situation. Within each major category, the user may provide additional detail such as sex or age. This additional detail is user-defined and is designed to make the inventory more applicable to a given situation.

The cattle valuation method should be footnoted as valuation changes for different reporting needs. For example, market value is the most frequent use for management purpose and calculation of performance measures. The depreciation schedule cost minus depreciation value of purchase cattle will differ from market value.

Output

The output for this decision aid includes the above information plus total values for each detailed category, major category, and overall inventory of cattle and horses. The summary provides for balance sheet values for use in the development of the ranch financial statements.

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Cattle Inventory and Compliance Data for the Internal Revenue Service (IRS)

To comply with the IRS data requirements, the cattle inventory record for purchased breeding stock must be kept separate from raised breeding stock and retained raised calves. Purchased breeding stock are recorded on the business depreciation schedule. The depreciation schedule is updated annually. Recall that the book value of purchased cattle is the purchase cost minus accumulated depreciation. This date is used to calculate capital gains(loss) when purchased cattle are sold or if there is death loss.

Separate spreadsheets are used to report the cattle inventory for purchased and raised breeding stock to meet IRS depreciation preparation needs. This is important because valuation is different than market value.

For ranches buying open heifers to breed for resale the inventory for IRS reporting sales revenue from bred and open heifer is matched with original purchased cost of the open heifers.

For weaned calves, stockers, yearlings and feeder cattle are identified by sex and well as source or production and marketing system to be employed. Purchased cattle need to be recorded separate from raised cattle for IRS reporting. A separate inventory for market cattle in this decision aid provides a summary for both raised and cattle purchased for resale.

The end of beginning and ending year summary inventory is used to report cattle values for the business market value balance sheet.

Chart of subaccounts required to cover the many beef cattle production and marketing alternatives and meet IRS and production reporting.

1. Raised Cattle Sales Income from The Cow-Calf Herd

Subaccounts for Raised Cattle Income*

Weaned - Steers and Heifers

Stocker or Feeder Cattle - Steers and Heifers

Finished Cattle – Owned or Partnered

*Always have a separate account for heifers and steers.

2. Accounts for Purchase of Breeding Cattle

Breeding Cattle Capital Asset Purchase Need for tax compliance.

Herd Bulls

Breeding Cows

Replacement Heifers (If moved into cow-calf herd.)

4. Cow- Calf Production Raised Cattle Sales

Raised Breeding Cattle Sales – Need for tax compliance.

Cull Herd Bulls

Cull Breeding Cows

Cull Replacement Heifers

5. Heifer or Cow Development Income - Purchased Cattle

Subaccounts for Purchased Cattle for Resale Sales Income*

Repl. Heifer Bred

Cull Repl. Heifers (Include Open Heifers)

Bred Cows

Breeding Cow Pairs

*Must match these purchase sales by expense accounts for purchase cattle for resale.

Always use net values of sales after all marketing costs shown in the sales invoice.

Use of the Cow-Calf sales and inventory spreadsheets facilitates this effort.

Conform to cattle depreciation schedule needed data. At minimum have a tag number on bulls.