

Money Management Curriculum

Module 1: Record Keeping and Cash Flows

Project Team:

- Ruby Ward, Professor, Utah State University
- Trent Teegerstrom, Associate Director of Tribal Extension, University of Arizona
- Karli Salisbury, Research Associate, Utah State University
- Kynda Curtis, Professor, Utah State University
- Staci Emm, Extension Educator and Professor, University of Nevada Reno
- Carol Bishop, Extension Educator and Associate Professor, University of Nevada Reno



Each university is an affirmative action/equal opportunity institution



United States
Department of
Agriculture

National Institute
of Food and
Agriculture



Acknowledgments: Vicki Hebb, reviewing content, and Russ Tronstad (University of Arizona) and Stuart T. Nakamoto (University of Hawaii), content.

This material is based upon work that is supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, under award number 2013-38640-22175 through the Western Sustainable Agriculture Research and Education program under subaward number EW14-017. USDA is an equal opportunity employer and service provider. Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the view of the U.S. Department of Agriculture.

Module 1: Record Keeping and Cash Flows

Teaching Notes:

This module is meant to be an introduction to personal money management and the importance of tracking cash flows. This module gives your students the basic building blocks to complete the long-term homework assignment of creating their own financial plan. Before starting the presentation have your students fill out the financial self-assessment worksheet, this worksheet will help them understand their current financial situation, and hopefully give them motivation to go through the entire money management modules to learn how to manage their money and gain a better financial outlook. There are several different examples of ways to track cash flows in this module, but they are not the only ways of doing this. In this module we use manila envelopes as an example to keep track of different expenses; they are not provided but can be used as a helpful additional resource. If they have access to a computer, use excel, if they are not so computer savvy, use a filing system. Encourage your students to start simple; they can add additional details as they become more comfortable tracking their cash flows. By the end of module 1, your students should have a clear method for how they want to track their expenses and build a cash flow budget.

Educational Objectives:

- Understand the importance of record keeping
- Understand the five steps to record keeping
- Develop a record-keeping system that works for you
- Understand the cash-flow process
- Understand how to analyze your cash flow to make better money management decisions

Discussion Topics:

- Why is keeping a budget a good idea? ... Is it constraining?
- What is cash flow statement?
- Why is it useful to analyze your cash flow statement?
- What suggestions do you have for keeping good records?

Resources:

- **Worksheets:**
 - a. **Financial Self-Assessment Worksheet** – This worksheet asks a series of questions that will help your students figure out what areas they need to focus on. This worksheet asks questions that will be covered throughout the money management modules, and is a good way of preparing your students for the rest of the modules.
 - b. **Monthly Journal Entry** – Input all income and expenses on a weekly basis, give a brief description of your transactions, and assign them to different categories like rent, gas, household supplies, food, etc. Assigning a category will help organize your records for your cash-flow statement. Filling in your monthly journal entry weekly will help you stay committed to your budget and not get bogged down with receipts.

Module 1: Record Keeping and Cash Flows

- c. **(Farm/Personal) Cash Flow Worksheet** – From your monthly journal entry, total up your income by categories and input those numbers into the Cash Inflow section. Repeat this with your expenses and transfer them to the Expenses section of the Cash Flow worksheet. The Cash Flow worksheet should be an accurate representation of where your money is going on a monthly basis. Examine this worksheet and see if any income or expenses entries are missing or categorized incorrectly. You will begin to see trends in your categories the more time you put into your cash flow worksheet. For example, you might notice that you spend \$200 a week on groceries and \$300 on gas every month.
 - d. **Annual Cash Flow (by Month or by Category)** – Annual Cash Flow is the sum of all of your Cash Flow worksheets. This can be divided into categories and you can see how much you earn/spend in each category, or you can see your monthly income and expenses. These worksheets help you examine what categories or months you might have overspent. You can also examine if your expenses are expected (Christmas shopping) or unexpected (car accident). The more you keep track of your cash flow, the less often unexpected events, like car registration or insurance costs, will arise.
- **Other:** Website: <http://www.rightrisk.org>

Outline:

1. Objectives
2. Record Keeping
 - a. Why keep records?
 - b. Keeping financial records
3. Hand vs. Computer Records
4. 5 Basic Steps to Record Keeping
 - a. Keep all income and expense receipts daily
 - b. Record receipts in a journal entry weekly
 - c. Transfer journal entries to a monthly ledger
 - d. Estimate your cash flow yearly
 - e. Cash flow analysis
5. Cash Flow Statements
 - a. Income
 - b. Expenses
 - c. Taxes and loans
 - d. Savings and investment
 - e. Net cash flow
6. Types of Expenses
7. Summary
8. Long Term Assignment

Module 1: Record Keeping and Cash Flows

- a. Track income and expenses for eight weeks
- b. Provide a template for tracking income and expenses

Managing Money Curriculum

Module 1: Record Keeping and Cash Flows

Components of Your Own Budget and Financial Plan



United States
Department of
Agriculture

National Institute
of Food and
Agriculture

Project Team:

- Ruby Ward, Professor, Utah State University
- Trent Teegerstrom, Associate Director of Tribal Extension, University of Arizona
- Karli Salisbury, Research Associate, Utah State University
- Kynnda Curtis, Professor, Utah State University
- Staci Emm, Extension Educator and Professor, University of Nevada Reno
- Carol Bishop, Extension Educator and Associate Professor, University of Nevada Reno



Acknowledgments: Vicki Hebb, reviewing content, and Russ Tronstad and Stuart Nakamoto, content.

This material is based upon work that is supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, under award number 2013-38640-22175 through the Western Sustainable Agriculture Research and Education program under subaward number EW14-017. USDA is an equal opportunity employer and service provider. Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the view of the U.S. Department of Agriculture.

Each university is an affirmative action/equal opportunity institutions

Key Concepts

- Developing a set of financial records
- What is a cash flow and why is it important?
- Creating your cash flow: accounting for all income and expenses
- Defining the true cost of items

Long-Term Homework Assignment:

- Track income and expenses for eight weeks
- Develop a personal financial plan



Basic Record Keeping

4

Slide 4: The first step of developing a financial plan is to first know what is happening. Where and how much money is coming in and where is it going.

Basic record keeping can be a topic that is hard to have an audience get excited about. It might be good to first ask them why they were motivated to take this class/workshop. Use that to talk about the basic step to accomplishing a financial plan is first being able to know where you are at.

This will be used to develop budgets, plans to reach financial goals etc.

- ## Why Keep Records?
-
- **Identify Sources of Income & Expenses:**
Primary source of income and major expenses
 - **Tax Returns & Basis of Property**
Records provide the documentation needed to estimate & complete taxes
 - **Government Programs**
Specific records generally required for full benefits/participation
 - **Loans/Credit:**
Financial records are required to obtain loans or other forms of credit
 - **Household Management and Planning:**
Records will help you make informed financial decisions and plan for the future
- 5

Slide 5: Some of these reasons are for you personally. Others are because of the information others require you to keep.

It is good to know why you need the records and what you are going to do with them, as you develop a plan for keeping records.

You could ask the audience why they want to keep records, or if they have kept them and how they use them.

- ## Methods of Tracking Cash Flow
-
- ### Hand vs. Computer
- Goals of your record system
 - How detailed the records need to be
 - Cost of the system
 - Time consideration
 - Ability to separate personal finances from business
 - Tax preparation (time and accountability)
- 6

Slide 6: There are a few essential aspects of any good record keeping system.

Hand-Kept Records

- Inexpensive
- Accessible
- Time Consuming
- Subject to mathematical errors

Slide 7: Hand-kept records are generally inexpensive. They can be plain or columnar paper or account books available from lending institutions, universities, or other businesses.

Hand-kept records are easy to put in a briefcase, take with you, or move around the house.

Hand-kept record keeping is time consuming in that you have to write the data and then use a calculator to do the math.

Hand-kept records tend to be subject to math and other errors.

Computer Kept Records

- More information, faster
- No math errors
- Can be expensive
- May be time consuming

Slide 8: With today's advancements in technology, there are many computer programs available to the general public at a wide range of prices. Options include record-keeping (financial, production, etc.) software, accounting software, and income tax computing software.

Software should be carefully reviewed to determine whether it meets the user's needs. How easy is the program to use? Who will input the data? What support is available? What output and output formats can be generated? Will the output meet the needs of all users, including business owner, partners, lenders, tax preparers, and others? It is also necessary to remember "garbage in, garbage out."

Computerized records are generally more expensive than hand-kept records as they require the purchase of software and a computer.

Computerized records almost never contain math errors. Calculations are performed automatically by the record-keeping program.

It is generally easy to get many different kinds of reports from computerized records. Many programs have pre-designed reports and can export data to spreadsheets or other programs.

Computerized record keeping may be time consuming, especially as the record keeper learns to use the program or even a computer. Some computerized record keeping systems may be more complex than what the user needs.

Keeping Financial Records

Financial records help answer questions like:

- Where is the money going?
- Do I have money right now?
- Will I have money tomorrow?
- Will I have to borrow money?
- What is my income tax liability?

Slide 10: There are a few essential aspects of any good record keeping system.

Essentials of Good Records

- Accuracy
- Completeness
- Arrangement
- Permanency
- Neatness
- Legibility
- Simplicity
- Consistency

Source: Getting on Track: Better Management through Basic Ag Records. <http://www.rightrisk.org>

1 - Accuracy. The old adage of “garbage in, garbage out” is very a propos.

2 - Completeness. Records must contain all relevant data. Incomplete or partial records reduce accuracy and the ability to use the records. Incomplete records may also raise suspicions among anyone—such as tax preparers, bankers, and others—who reviews them.

3 - Arrangement. The records must be arranged to be useful and easy to use.

4 - Permanency. Records should be permanent. This doesn't mean that pencils or editable data files are unacceptable. It means that editing records following the close of business that that year is limited or nonexistent.

5 - Neatness. Records should be neat and well organized. Coffee stains, burn marks, water damaged pages, and so on are not good.

6 - Legibility. Records should be legible. Hard to read information leads to mistakes and additional time spent deciphering them by the record keeper and record user.

7 - Simplicity. Records should be as easy to use. The easier it is to enter data the more willing the record keeper will be to keep the information current.

8 - Consistency. Similar data should be entered in the same way throughout the year.

Records – How Much is Enough?

You want to end up with a set of records that

- Can be maintained with available resources
- Provides information needed for IRS and legal protection
- Provides the information you need to make good decisions for your household
- Tell essential story elements of your situation

“Everything that can be counted doesn't necessarily count; everything that counts cannot necessarily be counted.” – William Bruce Cameron

Slide: 11 While in many cases more detailed records lead to better decisions, it is also important not to get lost in the details. This is especially true if you have never kept records before or you are just starting out. Many times people start out trying to do too much and end up getting frustrated. They often quit before they have anything to show for their efforts. Sometimes the records they have put together do not achieve the goals they set out to accomplish.

To avoid these pitfalls, start with the basics. As you become increasingly comfortable, you can begin to fill in the missing details.

Slide 12: A record-keeping system does not have to be complicated to be effective. In this module, you will learn a basic record-keeping system to get you started keeping records for your own operation.

Basic Record Keeping: 5 Easy Steps

5 Steps:

- Step 1: Keep all income and expense receipts
- Step 2: Record all transactions
- Step 3: Transfer entries into monthly ledgers
- Step 4: Estimate cash flow
- Step 5: Analyze cash flow

Source: Getting on Track: Better Management Through Basic Ag Records. <http://www.rightrisk.org>

This system consists of five easy steps. Some steps are performed daily, some weekly, some monthly, and some annually.

Step 1: Keep All Income and Expense Receipts

Save all receipts and sort into logical categories on a weekly basis



13

Slide 13: The first step of keeping accurate records is to keep all income and expense receipts. Document all transactions, checks written, credit card purchases, and cash transactions. Keep documentation every time you carry out a purchase or a sale. Save your receipts, sales tickets, cash register tapes, and any other documentation of a transaction.

If you have cash transactions where you do not get a receipt, you still need to keep track of these. Use a small notepad or something to write down the amount, item purchased and date. Keep these with your other documentation.

Sort these documents into logical categories, such as by enterprise or type of income or expense. Clear zip-top bags or large envelopes are simple ways to save and store records.

Do this on a daily basis as you incur expenses and sell products.

Step 1: Redundancy in Receipts

Sales Receipt



Debit/Credit Card Receipt

THE HOME DEPOT INC. (REG. U.S. PAT. & TM. OFF.)		REF NO. 24343688888888888888		AUTH NO. 000000		0000000000	
CUSTOMER ID	LOCAL TAX	INCL.	NATL. TAX	REG.	OTHER TAX		
207888	28.47	F	520	0	0.00		
REORDER #/ORDER ID	CUSTOMER ORDER #	SUBMITTER #					
0000000000	0000000000	0000000000					
DISCOUNT	RESIDT	DUTY	WAT RES#	ORDER DATE			
5.00	5.00	5.00	0000000000	10/28/15			
DESCRIPTION	CTRY	SHIP FROM					
ITEM CODE	ITEM DESCRIPTION	QTY	UNIT	UNIT COST	WATRES		
1 10387	PROCELLANHA	1.00	EA	30.87	0.00		
2 10387	PROCELLANHA	1.00	EA	30.87	0.00		
3 10387	PROCELLANHA	1.00	EA	30.87	0.00		
4 10320	508 P/C	1.00	EA	7.00	0.00		
6 10320	508 P/C	1.00	EA	7.00	0.00		
8 20839	STRAP TE	8.00	EA	0.07	0.00		
7 21436	100A RESHA	8.00	EA	0.27	0.00		
9 20420	ALEX P/ASCL	1.00	EA	1.80	0.00		
8 20420	ALEX P/ASCL	1.00	EA	1.80	0.00		
10 40420	TEFLATE	10.00	EA	0.08	0.00		
11 10346	100A RESHA	30.00	EA	2.70	0.00		

14

Slide 14: Sort these documents into logical categories, such as by enterprise or type of income or expense. Clear zip-top bags or large envelopes are simple ways to save and store records.

Do this on a daily basis as you incur expenses and sell products

Step 1: Keep All Income and Expense Receipts

This will provide valuable information for

- Estimating actual cash needs
- Comparing competing NEEDS vs. WANTS
- Calculating net cash position
- Determining your best use of income
- Determining your vulnerability to cash shortfalls

15

Step 2: Record Income and Expenses

Transfer income and expense receipts to a journal on a weekly basis

- Organize income and expense receipts so that they can help you make better decisions
- For transactions associated with two or more categories, do your best to allocate the income or cost to the appropriate categories

16

Slide 16: The second step in basic record keeping is to transfer the information gathered in Step 1 to a journal. Each transaction of the business is recorded in the journal. The date is recorded along with the amount of money involved. Each record also has a very short explanation describing the transaction. Do this on a weekly basis so that the journal is up to date. If you do it weekly, you will avoid having a large number of transactions to transfer all at once.

Keep personal and family living expenses separate from farm operating expenses. Also, keep records of personal income separate from farm income.

Whether doing records for a business (including farm or ranch) or for a household, the steps are the same. However, because we are using the information for different purposes we need a different set of records for each one.

Step 2: Record Income and Expenses

Transfer income and expense receipts to a journal on a weekly basis

Date	Description	Categories	Income	Expense
1-Jun	Paul's Paycheck	Income	\$ 2,500.00	
3-Jun	Gas for Truck - Maverik	Gas		\$ 72.50
3-Jun	Rent	Rent		\$ 800.00
6-Jun	Suzann's Paycheck	Income	\$ 1,751.00	
7-Jun	Restaurant - Applebee's	Entertainment		\$ 43.21
10-Jun	Smith's Marketplace Groceries	Food		\$ 125.36
		TOTAL	\$ 4,251.00	\$ 1,041.07

Keep personal income and expenses **SEPARATE** from business income and expenses

17

Step 2: Record Income and Expenses

Example of a journal entry:

Journal Entry Sheet				
FROM: June 1, 2016 TO: June 30, 2016				
Date	Description	Categories	Income	Expense
1-Jun	Paul's Paycheck	Income	\$ 2,500.00	
3-Jun	Gas for Truck - Maverik	Gas		\$ 72.50
3-Jun	Rent	Rent		\$ 800.00
6-Jun	Suzann's Paycheck	Income	\$ 1,751.00	
7-Jun	Restaurant - Applebee's	Entertainment		\$ 43.21
10-Jun	Smith's Marketplace Groceries	Food		\$ 125.36
		TOTAL	\$ 4,251.00	\$ 1,041.07

Keep personal income and expenses **SEPARATE** from business income and expenses

18

Step 3: Summarize Journal Entries into a Monthly Ledger

Transfer journal entries into a monthly ledger on a monthly basis

A monthly ledger sums all the income and expenses by category for each month:

- List your income and expense categories
- Add up the journal entries by category each month
- Record the total in the monthly ledger

19

Slide 19: The third step is to transfer the income and expense journal records into a Monthly Ledger. The Monthly Ledger summarizes income and expenses by account for each month.

Use your monthly summaries to evaluate successes and shortcomings within your business. Analysis of information can help you understand your current activities and plan for the future.

Each transaction in the journal is transferred into the Monthly Ledger. Transactions are totaled to get a monthly total for each account.

The total income from each enterprise on the Income and Expense Journal is recorded in the income fields for that month. The total expenses are recorded in the appropriate expense categories for the month.

This Monthly Ledger only shows January through April. A complete ledger will have a column for every month of the year. You can use it to track cash flow throughout the year and to project future income and expenses.

You can download a sample of a full Monthly Ledger from the resources section for this module.

Step 3: Summarize Journal Entries into a Monthly Ledger

Transfer journal entries into a monthly ledger on a monthly basis

Monthly Ledger				
Operating Income Categories	June	July	August	
Paul's Salary	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	
Suzanne's Salary	\$ 1,750.00	\$ 1,750.00	\$ 1,750.00	
Total Income:	\$ 4,250.00	\$ 4,250.00	\$ 4,250.00	
Operating Expenses Categories				
Rent	\$ 800.00	\$ 800.00	\$ 800.00	
Insurance (Car, Renter, Medical, Dental)	\$ 670.00	\$ 670.00	\$ 670.00	
Utilities (Gas, Electric, Sewer, Cable)	\$ 600.00	\$ 550.00	\$ 525.00	
Car	\$ 500.00	\$ 500.00	\$ 500.00	
Entertainment	\$ 800.00	\$ 650.00	\$ 400.00	
Savings	\$ -	\$ -	\$ 100.00	
Food	\$ 400.00	\$ 600.00	\$ 550.00	
Gas	\$ 240.00	\$ 200.00	\$ 210.00	
Repairs	\$ -	\$ 200.00	\$ -	
Phones	\$ 180.00	\$ 180.00	\$ 180.00	
Total Expense:	\$ 4,190.00	\$ 4,350.00	\$ 3,935.00	
Net Income: +/-	\$ 60.00	\$ (100.00)	\$ 315.00	

20

Step 4: Estimate Net Cash Flow

A cash flow statement provides an estimate of what you have left over at the end of the year

A cash flow statement:

- Income is summed on the top
- Expenses are totaled on the bottom

Annual Cash Flow	
Income Categories	
Paul's Salary	\$ 30,000.00
Suzanne's Salary	\$ 21,000.00
Total Income:	\$ 51,000.00
Expenses Categories	
Rent	\$ 9,600.00
Insurance (Car, Renter, Medical, Dental)	\$ 8,000.00
Utilities (Gas, Electric, Sewer, Cable)	\$ 1,300.00
Car	\$ 6,000.00
Entertainment	\$ 4,400.00
Savings	\$ 3,800.00
Food	\$ 4,800.00
Gas	\$ 2,980.00
Repairs	\$ 900.00
Phones	\$ 2,160.00
Total Expense:	\$ 43,840.00
Net Income: +/-	\$ 7,160.00

Slide 21: At the end of each year, total expenses are subtracted from total income on a Cash Flow Statement. This calculation provides an estimate of the overall financial performance over the last year.

Once you get familiar with this process, adjustments can be made to account for changes in inventory, accounts receivable and payable, prepaid expenses, and other variables to more accurately reflect the actual production and expense commitments made during the accounting period.

Step 4: Estimate Net Cash Flow

Annual cash flows can be shown in two ways:

- Broken down by month (below) or
- Broken down by expense (right)

What is the benefit of either of these?

Annual Cash Flow			
Year: 2014			
Month	Income	Expenses	Net Cash Flow
January	\$ 4,250.00	\$ 4,190.00	\$ 60.00
February	\$ 4,250.00	\$ 4,350.00	\$ (100.00)
March	\$ 4,250.00	\$ 3,935.00	\$ 315.00
April	\$ 4,250.00	\$ 4,180.00	\$ 60.00
May	\$ 4,250.00	\$ 4,350.00	\$ (100.00)
June	\$ 4,250.00	\$ 3,935.00	\$ 315.00
July	\$ 4,250.00	\$ 4,190.00	\$ 60.00
August	\$ 4,250.00	\$ 4,350.00	\$ (100.00)
September	\$ 4,250.00	\$ 3,935.00	\$ 315.00
October	\$ 4,250.00	\$ 4,190.00	\$ 60.00
November	\$ 4,250.00	\$ 4,350.00	\$ (100.00)
December	\$ 4,250.00	\$ 3,935.00	\$ 315.00
TOTAL	\$ 51,000.00	\$ 49,900.00	\$ 1,100.00

Annual Cash Flow	
Income Categories	
Paul's Salary	\$ 30,000.00
Suzanne's Salary	\$ 21,000.00
Total Income:	\$ 51,000.00
Expenses Categories	
Rent	\$ 9,600.00
Insurance (Car, Renters, Medical, Dental)	\$ 8,040.00
Utilities (Gas, Electric, Sewer, Cable)	\$ 6,700.00
Car	\$ 6,000.00
Entertainment	\$ 7,400.00
Savings	\$ 400.00
Food	\$ 6,200.00
Gas	\$ 2,600.00
Repairs	\$ 800.00
Phones	\$ 2,160.00
Total Expense:	\$ 49,900.00
Net Income: +/-	\$ 1,100.00

Slide 22: At the end of each year, total expenses are subtracted from total income on a Cash Flow Statement. This calculation provides an estimate of the overall financial performance over the last year.

Once you get familiar with this process, adjustments can be made to account for changes in inventory, accounts receivable and payable, prepaid expenses, and other variables to more accurately reflect the actual production and expense commitments made during the accounting period.

Step 5: Analyze Cash Flow

Example of an annual cash flow statement

Annual Income and Expenses												
YEAR: 2014												
Income	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Paul's Salary	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00
Suzanne's Salary	\$1,750.00	\$1,750.00	\$1,750.00	\$1,750.00	\$1,750.00	\$1,750.00	\$1,750.00	\$1,750.00	\$1,750.00	\$1,750.00	\$1,750.00	\$1,750.00
Total Income	\$4,250.00	\$4,250.00	\$4,250.00	\$4,250.00	\$4,250.00	\$4,250.00	\$4,250.00	\$4,250.00	\$4,250.00	\$4,250.00	\$4,250.00	\$4,250.00
Expenses												
Food and Meals	\$ 400.00	\$ 390.00	\$ 380.00	\$ 400.00	\$ 430.00	\$ 380.00	\$ 390.00	\$ 430.00	\$ 400.00	\$ 420.00	\$ 400.00	\$ 390.00
Rent	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ 800.00
Medical Care	\$ 50.00	\$ 300.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Health Insurance	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Household Supplies	\$ 25.00	\$ 30.00	\$ 50.00	\$ 15.00	\$ 23.00	\$ 25.00	\$ 43.00	\$ 12.00	\$ 15.00	\$ 15.00	\$ 20.00	\$ 20.00
Clothing	\$ 5 300.00	\$ 5 50.00	\$ 5 50.00	\$ 5 50.00	\$ 5 50.00	\$ 5 50.00	\$ 5 50.00	\$ 5 50.00	\$ 5 50.00	\$ 5 50.00	\$ 5 50.00	\$ 5 50.00
Personal Care	\$ 5 300.00	\$ 5 300.00	\$ 5 300.00	\$ 5 300.00	\$ 5 300.00	\$ 5 300.00	\$ 5 300.00	\$ 5 300.00	\$ 5 300.00	\$ 5 300.00	\$ 5 300.00	\$ 5 300.00
Child Care	\$ 60.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Gifts	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Education	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Recreation	\$ 400.00	\$ 610.00	\$ 182.00	\$ 120.00	\$ 600.00	\$ 510.00	\$ 400.00	\$ 400.00	\$ 340.00	\$ 360.00	\$ 360.00	\$ 360.00
Utilities	\$ 300.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00
Renters Insurance	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Life Insurance	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00
Vehicle Fuel, Repairs and Maintenance	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Household Repairs	\$ 5 60.00	\$ 5 40.00	\$ 5 40.00	\$ 5 40.00	\$ 5 40.00	\$ 5 40.00	\$ 5 40.00	\$ 5 40.00	\$ 5 40.00	\$ 5 40.00	\$ 5 40.00	\$ 5 40.00
Total Expenses	\$2,945.00	\$3,720.00	\$3,157.00	\$2,675.00	\$3,130.00	\$3,210.00	\$2,990.00	\$2,886.00	\$2,577.00	\$2,537.00	\$2,070.00	\$3,115.00

Slide 23: The annual cash flow statement can be a good way to analyze your financial situation where and when do you use cash? Where and when is it coming in? Are there months where we will use more than we bring in? We might need to have savings to cover these months. For example, you might spend a lot more on gifts in December, more on clothing and other items in the fall before school starts, etc.

Cash Flow Statements

- **Cash Flow:** Running balance of cash inflow and outflow for a period. This is usually prepared annually, by month, showing income, outflow, and cash available or needed for each month.
- **Projected Cash Flow:** Same as above but completed at the start of the year to estimate your household's cash flow needs.

Slide 24: At the end of each year, total expenses are subtracted from total income on a Cash Flow Statement. This calculation provides an estimate of the overall financial performance over the last year.

Once you get familiar with this process, adjustments can be made to account for changes in inventory, accounts receivable and payable, prepaid expenses, and other variables to more accurately reflect the actual production and expense commitments made during the accounting period.

Cash Flow: A Key Financial Record

25

Cash Flow: Income

Inflow	Fixed	Monthly	Annual Total
Wages and Salaries			
Paul's Salary	\$ 2,500.00	\$ -	\$ 30,000.00
Suzanne's Salary	\$ -	\$ 1,750.00	\$ 21,000.00
Dividend and Interest	\$ -	\$ -	\$ -
Rental Income	\$ -	\$ -	\$ -
Social Security Income	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
Total Income:	\$ 2,500.00	\$ 1,750.00	\$ 51,000.00

26

Slide 26: We already saw cash flow statements in the record keeping steps above. They can be prepared in a variety of ways to show different information. Here are some examples.

As you start to prepare the cash flow as a budget or projection. It might be good to think of your income in terms of amounts that are fixed and should be the same every month, versus those that could vary or only happen in certain months.

Cash Flow: Expenses

Living Expenses	Fixed	Monthly	Annual Total
Food and Meats	\$ -	\$ 550.00	\$ 6,600.00
Rent	\$ 800.00	\$ -	\$ 9,600.00
Medical Care	\$ -	\$ -	\$ -
Health Insurance	\$ -	\$ -	\$ -
Household Supplies	\$ 200.00	\$ -	\$ 2,400.00
Clothing	\$ 150.00	\$ -	\$ 1,800.00
Personal Care	\$ -	\$ -	\$ -
Child Care	\$ -	\$ 400.00	\$ 4,800.00
Gifts	\$ -	\$ -	\$ -
Education	\$ -	\$ 200.00	\$ 2,400.00
Recreation	\$ -	\$ 300.00	\$ 3,600.00
Utilities	\$ -	\$ 250.00	\$ 3,000.00
Renter's Insurance	\$ 50.00	\$ -	\$ 600.00
Life Insurance	\$ -	\$ -	\$ -
Vehicle Fuel, Repairs and Maintenance	\$ -	\$ 150.00	\$ 1,800.00
Household Repairs	\$ -	\$ 150.00	\$ 1,800.00
	\$ -	\$ -	\$ -
Total Living Expenses:	\$ 1,200.00	\$ 2,000.00	\$ 38,400.00

27

Slide 27: At the end of each year, total expenses are subtracted from total income on a Cash Flow Statement. This calculation provides an estimate of the overall financial performance over the last year.

Once you get familiar with this process, adjustments can be made to account for changes in inventory, accounts receivable and payable, prepaid expenses, and other variables to more accurately reflect the actual production and expense commitments made during the accounting period.

Cash Flow: Expenses

Taxes	Fixed	Monthly	Annual Total
Personal Income Tax	\$ -	\$ -	\$ -
FICA	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
Total Taxes	\$ -	\$ -	\$ -
Loan Payments	Fixed	Monthly	Annual Total
Home Mortgage	\$ -	\$ -	\$ -
Car Loan (1)	\$ -	\$ 300.00	\$ 3,600.00
Car Loan (2)	\$ -	\$ -	\$ -
Student Loan	\$ -	\$ 200.00	\$ 2,400.00
Credit Cards	\$ -	\$ 150.00	\$ 1,800.00
	\$ -	\$ -	\$ -
Total Loan Payment	\$ -	\$ 650.00	\$ 7,800.00

28

Slide 28: At the end of each year, total expenses are subtracted from total income on a Cash Flow Statement. This calculation provides an estimate of the overall financial performance over the last year.

Once you get familiar with this process, adjustments can be made to account for changes in inventory, accounts receivable and payable, prepaid expenses, and other variables to more accurately reflect the actual production and expense commitments made during the accounting period.

Net Cash Flow

	Fixed	Monthly	Annual Total
Total Income:	\$ 2,500.00	\$ 1,750.00	\$ 51,000.00
	Less		
Total Living Expenses:	\$ 1,200.00	\$ 2,000.00	\$ 38,400.00
Total Taxes:	\$ -	\$ -	\$ -
Total Loan Payments:	\$ -	\$ 650.00	\$ 7,800.00
	Equals		
Net Cash Flow:	\$ 1,300.00	\$ (900.00)	\$ 4,800.00

29

Slide 30: In preparing a cash flow budget, think of the different types of expenses you might have.

There are expenses that are known and expected every month. These are usually easy to find.

Known but variable expenses are ones that we know we have, but are harder to figure out how much we spend each month. They can vary widely. This is where we can use our records from previous years to help figure out what they are. If you do not have records, try to use your best judgement. You can also keep track for a few weeks and then use that information to prepare an annual budget.

Hidden expenses are the ones that we usually forget to include in a budget. They can be either ones we don't expect to have, or they can be small amounts that add up. Again, a good record keeping system can help because it can tell you what expenses you had in the past. If we have expenses that we don't include in the budget we may either not be able to cover all our expenses or we may end up putting purchases on credit cards.

Types of Expenses

- **Known Expenses:** expected every month with somewhat predictable amount. Loan payments, utilities, rent, insurance.
- **Known but Variable Expenses:** expected every month but vary widely in the total amount. Food, gas, clothing, entertainment.
- **Hidden Expenses:** not expected. Car repairs, medical bills, lightbulbs, tickets, legal fees, interest rates.

30

Why Keep Records?

Summary

- Record keeping is an important activity for any household to better understand their financial situation.
- A good set of records can help you make better financial choices by providing real data about past purchases that help you more accurately predict future spending.
- Records may be required for tax purposes or to qualify for government assistance programs, loans, or leases.
- Find a record-keeping system that works for you and keep it updated on a daily basis.

31

Slide 31: Review main points of “Why Keep Records” section and take any questions before moving on.

You can also ask the class why they would like to have records they can use? How would they use them? Do they plan on starting a record keeping system?

Long-Term Assignment

- Track income and expenses for eight weeks
- Use any of the templates or resources provided
- Develop a personal financial plan

Questions?

32

Slide 32: Review main points of “Why Keep Records” section and take any questions before moving on.

It would be good to actually pull up some of the worksheets and explain how they can use them to track their income and expenses. Show them some of the options available in the resources for this module.

Thank you!

33

Module 1: Initial Financial Self-Assessment

The money management modules are meant to help you gain a clearer picture of your personal financial standing. The modules will teach you concepts about budgeting, savings, credit cards and loans.

Understanding these concepts will help you take control of your finances and guide you to a better financial future. First take the initial financial self-assessment to see what areas you can improve on.

Do I have a Budget?	Y	N
Do I look at it and update it on a weekly basis?	Y	N
Do I have a method of tracking my income and expenses?	Y	N
Do I track my income and expenses on a daily basis?	Y	N
Do I have an emergency fund?	Y	N
How many months do I have? _____		
Do I need to invest more in this fund?	Y	N
How much do I need? _____		
Where is this invested? _____		
How much debt do I have? _____		
Do I have a list of all my loans/debts?	Y	N
Do I need to pay down unsecured debt (credit cards)?	Y	N
Do I need to refinance a secured loan (home mortgage)?	Y	N
What is my credit score? _____		
Do I need to boost my credit score?	Y	N
Do I have a savings for retirement?	Y	N
How much do I need to save for retirement? _____		
Do I need to boost this amount?	Y	N
How much do I need to save each month? _____		
Do I have savings for higher education?	Y	N
Do I need to have an education fund for myself and/or my children?	Y	N
How much do I need? _____		
How much do I need to save each month? _____		
Do I have other savings goals?		
How much do I need? _____		
How long do I have to save? _____		

Make a list of what you need to work on.

Total how much money you will need each month for your goals.

As you go through the money management modules keep your financial assessment in mind as you build a personal budget to get yourself out of debt and on to saving for your goals.

Monthly Journal Entry

FROM: _____ TO: _____

Date	Description	Categories	Income	Expense
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
TOTAL			\$	\$

Farm Cash Flow

From: _____ To: _____

Machinery Loan (2)

Credit Cards

\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$

Total Loan Payments:

\$	\$	\$
----	----	----

Total Outflow

\$	\$	\$
----	----	----

Net Cash Flow: +/-(-)

\$	\$	\$
----	----	----

Personal Cash Flow

From: _____ To: _____

Inflow

- Wages and Salaries
 - Income
 - Income
- Dividend and Interest
- Rental Income
- Social Security Income

Fixed	Monthly	Total
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
Total Income:	\$	\$

Living Expenses

- Food and Meals
- Rent
- Medical Care
- Health Insurance
- Household Supplies
- Clothing
- Personal Care
- Child Care
- Gifts
- Education
- Recreation
- Utilities
- Renter's Insurance
- Life Insurance
- Vehicle Repairs and Maintenance
- Fuel
- Household Repairs

Fixed	Monthly	Total
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
Total Living Expenses:	\$	\$

Taxes

- Personal Income Tax
- FICA

Fixed	Monthly	Total
\$	\$	\$
\$	\$	\$
\$	\$	\$
Total Taxes	\$	\$

Loan Payments

- Home Mortgage
- Car Loan (1)

Fixed	Monthly	Total
\$	\$	\$
\$	\$	\$

Personal Cash Flow

From: _____ To: _____

Car Loan (2)
Student Loan
Credit Cards

\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$

Total Loan Payments

\$	\$	\$
----	----	----

Total Outflow

\$	\$	\$
----	----	----

Net Cash Flow: +/-

\$	\$	\$
----	----	----

Annual Cash Flow by Category

Year: _____

Income Categories	
Farm Sales	\$
Livestock	\$
Eggs	\$
Dividend and Interest	\$
Rental Income	\$
Social Security Income	\$
_____	\$
_____	\$
_____	\$
Total Income:	\$
Expenses Categories	
Farm Vehicles	\$
Chemicals and Fertilizer	\$
Gasoline, Fuel, and Oil	\$
Repairs and Maintenance	\$
Seeds and Plants	\$
Supplies	\$
Feed	\$
Utilities	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
Total Expenses:	\$
Net Income: +/-	\$

Annual Cash Flow by Category

Year: _____

Income Categories	
Farm Sales	\$
Livestock	\$
Eggs	\$
Dividend and Interest	\$
Rental Income	\$
Social Security Income	\$
_____	\$
_____	\$
_____	\$
Total Income:	\$
Expenses Categories	
Farm Vehicles	\$
Chemicals and Fertilizer	\$
Gasoline, Fuel, and Oil	\$
Repairs and Maintenance	\$
Seeds and Plants	\$
Supplies	\$
Feed	\$
Utilities	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
Total Expenses:	\$
Net Income: +/-	\$

Annual Cash Flow by Category

Year: _____

Income Categories	
Income	\$
Income	\$
Dividend and Interest	\$
Social Security	\$
Rental Income	\$
Total Income:	\$
Expenses Categories	
Food and Meals	\$
Rent	\$
Medical Care	\$
Health Insurance	\$
Household Supplies	\$
Clothing	\$
Personal Care	\$
Child Care	\$
Gifts	\$
Education	\$
Recreation	\$
Utilities	\$
Renter's Insurance	\$
Life Insurance	\$
Vehicle Repairs and Maintenance	\$
Fuel	\$
Household Repairs	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
Total Expenses:	\$
Net Income: +/-	\$

Annual Cash Flow by Category

Year: _____

Income Categories	
Income	\$
Income	\$
Dividend and Interest	\$
Social Security	
Rental Income	\$
Total Income:	\$
Expenses Categories	
Food and Meals	\$
Rent	\$
Medical Care	\$
Health Insurance	\$
Household Supplies	\$
Clothing	\$
Personal Care	\$
Child Care	\$
Gifts	\$
Education	\$
Recreation	\$
Utilities	\$
Renter's Insurance	\$
Life Insurance	\$
Vehicle Repairs and Maintenance	\$
Fuel	\$
Household Repairs	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
Total Expenses:	\$
Net Income: +/-	\$

Annual Financial Summary

Annual Cash Flows		
Year: _____		
Month	Income	Expense
January	\$	\$
February	\$	\$
March	\$	\$
April	\$	\$
May	\$	\$
June	\$	\$
July	\$	\$
August	\$	\$
September	\$	\$
October	\$	\$
November	\$	\$
December	\$	\$
TOTAL	\$	\$

Net Cash Flow (+/-) : \$ _____

Annual Cash Flows		
Year: _____		
Month	Income	Expense
January	\$	\$
February	\$	\$
March	\$	\$
April	\$	\$
May	\$	\$
June	\$	\$
July	\$	\$
August	\$	\$
September	\$	\$
October	\$	\$
November	\$	\$
December	\$	\$
TOTAL	\$	\$

Net Cash Flow (+/-) : \$ _____

Annual Cash Flows		
Year: _____		
Month	Income	Expense
January	\$	\$
February	\$	\$
March	\$	\$
April	\$	\$
May	\$	\$
June	\$	\$
July	\$	\$
August	\$	\$
September	\$	\$
October	\$	\$
November	\$	\$
December	\$	\$
TOTAL	\$	\$

Net Cash Flow (+/-) : \$ _____

Annual Cash Flows		
Year: _____		
Month	Income	Expense
January	\$	\$
February	\$	\$
March	\$	\$
April	\$	\$
May	\$	\$
June	\$	\$
July	\$	\$
August	\$	\$
September	\$	\$
October	\$	\$
November	\$	\$
December	\$	\$
TOTAL	\$	\$

Net Cash Flow (+/-) : \$ _____