

Fixed Assets

Depreciation, Additions, & Disposals

You may be shocked to learn that 98% of all depreciation schedules are wrong. This is not the fault of your accountant, but rather the lack of communication between you and your accountant. Most depreciation schedules are still depreciating assets that have been disposed or otherwise taken out of service. Conversely, there invariably are assets that have not been listed and therefore are not being depreciated.

That is not to say that each and every asset purchased should be depreciated; rather, you should sit down with your accountant and decide a dollar value cut-off of either \$500 or \$1000 whereby all assets purchased over the given amount should be capitalized and depreciated.

For management purposes, the ***straight-line*** method of depreciation should be used. Your accountant's depreciation program can easily figure this method of depreciation along with the tax depreciation. Most programs even allow the user to depreciate an asset for management purposes and to not depreciate that same asset for tax purposes. Therefore, we encourage you to commission your accountant to provide you with straight-line depreciation.

You must clean up your asset list! Go through it and decide what has been taken out of service (give the date) and what should be added. Even those assets that have been "depreciated out" should be included on the asset list. For management purposes, a salvage value should be assigned for all assets. Remember, you must put additions on at ***cost***, not fair market value.

Once you have your asset list/depreciation schedule cleaned up, you need to either add these opening balances to your QuickBooks data (pay special attention to "as of" dates) or adjust the opening balances. Don't forget prior accumulated depreciation (straight-line basis.)

When all beginning balances are in and correct, then you can book ***Current Depreciation***. Again, your accountant can easily provide this information. To book that depreciation into QuickBooks, you must make a journal entry.

The date should be December 31, 20XX. Since you are ***increasing*** an expense (**Depreciation Expense**), you should enter the amount in the **second** column, or the **Debit** column. Expenses are Income Statement accounts, so a class should be attached; usually, it is **SC: Machinery & Equipment**.

When you increase Depreciation Expense, you should also increase ***Accumulated Depreciation***, which is a Balance Sheet Account. This type of account is actually a "contra-asset" account, which reduces the asset account it represents. Therefore, it is treated like a Liability account (debit to decrease, credit to increase.)

To increase the Accumulated Depreciation account for the current depreciation, choose the **Accumulated Depreciation** (Asset section of Chart of Accounts) account and enter the amount in the **Credit** column (third column). **No class is necessary.**

Farm Asset List											
Category	Description	S#	Purch Date	Purch Price	Life	Prior Depreciation	2003 Depreciation	Total Acc Depreciation	NBV	Date Disposed	Traded?
Land			12/25/97	750,000.00							
M&E	Tractor		2/14/97	40,000.00	10	22,000.00	4,000.00	26,000.00	14,000.00		
M&E	Baler		3/18/97	5,000.00	10	2,750.00	500.00	3,250.00	1,750.00		
M&E	Chutes & Panels		3/18/97	10,000.00	10	5,500.00	1,000.00	6,500.00	3,500.00		
Total for M&E				55,000.00		30,250.00	5,500.00	35,750.00	19,250.00		
Vehicles	'03 Chev Crew Cab		10/31/02	40,000.00	5	4,000.00	8,000.00	12,000.00	28,000.00		
Vehicles	'99 Ford 4X4		11/26/99	32,000.00	5	22,400.00	6,400.00	28,800.00	3,200.00		
Total for Vehicles				72,000.00		26,400.00	14,400.00	40,800.00	31,200.00		
Cows	50 Head		5/15/97	35,000.00	6	32,083.33	2,916.67	35,000.00	(0.00)		
Cows	25 Head		5/15/98	20,000.00	6	15,000.00	3,333.33	18,333.33	1,666.67		
Cows	25 Head		5/15/99	16,250.00	6	9,479.17	2,708.33	12,187.50	4,062.50		
Cows	2 Bulls		5/15/98	3,000.00	6	2,250.00	500.00	2,750.00	250.00		
Cows	1 Bull		6/20/98	1,500.00	6	1,125.00	250.00	1,375.00	125.00		
Cows	1 Bull		6/8/99	1,500.00	6	875.00	250.00	1,125.00	375.00		
Total Cows				77,250.00		60,812.50	9,958.34	70,770.84	6,479.16		

SALE OF CULL BULL

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Payments ▼

Deposit To FNB Checking ▼

Date 07/12/2003 📅

Memo Deposit

Click Payments to select customer payments that you have received. List any other amounts to deposit below.

Received From	From Account	Memo	Chk No.	Pmt Meth.	Class	Amount
getin rich li...	Gain(Loss)-Lv					
	Name of Each Crop	Income				
	Gain(Loss)-Lvstk. Disposed	Income				
	Breeding Stock (purchas	Income				
	Death loss of Bulls	Income				
	Death loss of Cows	Income				
	Death loss of Heifers	Income				
	Death loss of Horses	Income				
	Gain(Loss)-Cull Bulls :	Income				
	Basis in Cull Bulls	Income				
	✓ Sale of Cull Bulls	Income				
	Gain(Loss)-Cull Cows	Income				
	Basis in Cull Cows	Income				
	Sale of Cull Cows	Income				
	Gain(Loss)-Cull Heifei	Income				
	Basis in Cull Heife	Income				
	Sale of Cull Heifer	Income				
	Gain(Loss)-Cull Horse	Income				
	Basis in Cull Horse	Income				
	Sale of Cull Horse	Income				
	Breeding Stock (raised)	Income				

To get cash back where you want

Cash back g

account

Cash back amount

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Clear

SALE OF 5 CULL COWS

Make Deposits
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Deposit To: FNB Checking ▼
 Date: 07/12/2003
 Memo: Deposit

Click Payments to select customer payments that you have received. List any other amounts to deposit below.

Received From	From Account	Memo	Chk No.	Pmt Meth.	Class	Amount
getin rich livestock ...	Gain(Loss)-Lvstk. Di...	Cull Bull			PC:co...	500.00
getin rich livestock ...		5 Cull Cows			PC:co...	2,000.00

Deposit Subtotal 2,500.00

To get cash back from this deposit, enter the amount below. Indicate the account where you want this money to go, such as your Petty Cash account.

Cash back goes to

Cash back memo

Cash back amount

Deposit Total 2,500.00

Save & Close
Save & New
Clear

SALE OF 1999 FORD 4X4

Make Deposits
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Payments

Deposit To FNB Checking ▼
Date 02/02/2000
Memo Deposit

Click Payments to select customer payments that you have received. List any other amounts to deposit below.

Received From	From Account	Memo	Chk No.	Pmt Meth.	Class	Amount
		'99 FORD PU				12,000.00 ▲

Deposit Subtotal 12,000.00

To get cash back from this deposit, enter the amount below. Indicate the account where you want this money to go, such as your Petty Cash account.

Cash back goes to
Cash back memo
Cash back amount

Deposit Total 12,000.00

Save & Close
Save & New
Clear

SALE OF 1999 FORD 4X4 (Solution)

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Deposit To: FNB Checking
Date: 02/02/2000
Memo: Deposit

Click Payments to select customer payments that you have received. List any other amounts to deposit below.

Received From	From Account	Memo	Chk No.	Pmt Meth.	Class	Amount
	Cap. Gain(Loss)-As: ▼	'99 FORD PU				12,000.00
	Breeding	Expense				
	Medicine/Hospital	Expense				
	Processing cattle	Expense				
	Professional vet service	Expense				
	Cap. Gain(Loss)-Assets Dis	Other Income				
	Gain(Loss)-Build. & Imp.	Other Income				
	Basis in Build. & Imp.	Other Income				
	Sale of Build. & Imp.	Other Income				
	Gain(Loss)-Mach., Veh.	Other Income				
	Basis in Mach., Veh.	Other Income				
	✓ Sale of Mach., Veh. &	Other Income				
	Gain(Loss)-Sale of Land	Other Income				
	Basis in Land Sold	Other Income				
	Sale of Land	Other Income				
	Marketable securities sa	Other Income				
	Non-Marketable securiti	Other Income				
	Other assets sale	Other Income				
	Crop Graze Lease (Non-Ca	Other Income				
	Extraordinary Gain	Other Income				
	Crop Graze Lease -(Non-Ca	Other Expense				

Deposit Subtotal
12,000.00

Amount below. Indicate the account
Petty Cash account.

Memo
Cash back amount

Deposit Total
12,000.00

Save & Close
Save & New
Clear

DISPOSAL JOURNAL ENTRY (CULL BULL)

General Journal Entry

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History

Date

12/31/2003

Entry No.

2

Account	Debit	Credit	Memo	Name		Class
	1,375.00		Accum Dep-C...			
	125.00		Basis in Cull Bull			PC:co...
		1,500.00	Cost of Bull			
	0.00					

Save & Close

Save & New

Clear

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DISPOSAL JOURNAL ENTRY 5 CULL COWS

General Journal Entry

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History

Date

12/31/2003

Entry No.

2

Account	Debit	Credit	Memo	Name	Class
	35,000.00		Accum Dep- C...		
	0.00		Basis in Cull C...		PC:co...
		3,500.00	Cost of Cows		
	0.00				

Save & Close

Save & New

Clear

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DISPOSAL JOURNAL ENTRY (DEAD COW)

General Journal Entry

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History

Date

12/31/2003

Entry No.

2

Account	Debit	Credit	Memo	Name		Class
	700.00		DEAD COW			
		700.00	DEAD COW			
	0.00					
	0.00					

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