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Part III of a III Part Series on Industry-Specific Accounting Technologies

Scott Cytron • Dec. 01, 2009

This is part three of a three-part series of articles focused on specific markets served by tax and accounting firms. Part One looked at [Manufacturing Businesses](#) and Part Two explores financial management for [Healthcare and Medical Businesses](#).

Do you remember laughing at the ridiculous residents of Hooterville when Oliver Douglas escaped the bustle of New York City to move he and his Swedish wife, Lisa, to the country? The goal was to get away from the lights of Broadway to plow the fields and work the land.

As it turns out, the farming life for Oliver was difficult, and at first, he knew little more than how to drive a tractor. The reality soon set in, and although we had lots of fun laughing at him, the business of “agribusiness” is a serious business with big city concerns.

Similar to other niche industries, agribusiness has its own set of particular accounting challenges. Whether consulting on technology specifically related to farming and ranching, or accounting and compliance issues related to federal control of food production, accounting firms must speak a unique language to work in this competitive environment.

“You

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Again, similar to other industries, there are nuances to learn in order to deliver tax, assurance and consulting services. For example, Hesse says knowing the approximate prices of farm commodities and the direction in which prices are currently moving is important because it demonstrates not only a level of knowledge of the agriculture industry, but a passion and genuine concern.

Agriculture Accounting Requires Specific Solutions

Although the industry may be different, the need for core accounting services is still the norm with agribusiness clients. But there are specific needs based on various situations.

Timothy P. Moag, CPA, a tax director and leader of the Agriculture Business Specialization Group for Freed, Maxick & Battaglia, P.C. in Buffalo, N.Y., says more clients ask for a computerized general ledger bookkeeping and financial reporting system than anything else. The twist, in this case, is to make the GL applicable to the client's business.

“Typically, we apply our agricultural expertise to assist the client in the design of the accounting system and chart of accounts with standardized account titles and account numbers that we tailor to the client situation,” says Moag. “The primary differences in a chart of accounts for a dairy farm versus a crop farm are within the revenue accounts. Clients also often ask for assistance with setting up on-farm payroll preparation as part of their accounting system. We will assist in the payroll module set up, and provide instruction to the client on payroll reporting requirements.”

Affiliated with RSM McGladrey, Freed Maxick's larger agricultural clients are more frequently being asked by their lenders to prepare accrual basis review-level financial statements.

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“Accounting standards require that we evaluate key financial ratios and document our variation analysis,” he says. “We need detailed financial information so we work with clients to provide accurate data to us in a concise electronic format.”

In the Management Advisory Services arena, Moag says many of his dairy farm clients request financial benchmarking analysis. To meet this need, Freed Maxick developed its own tool to analyze financial results on a per cow and per hundred weight basis.

“This report allows the farm managers to compare their financial performance to industry standards and peer groups of similar sized dairy operations,” he says. “The key to providing this level of analysis is standardizing the financial information we receive from our clients’ internal accounting systems.”

Tax Planning & Technology

Across the country at LeMaster Daniels, Hesse and his team provide tax planning services for many of the firm’s agricultural clients. However, the income tax methods for production agriculture are unlike the methods for any other industry.

“Because we have so many agricultural clients, we often don’t realize how specialized our expertise is,” he says. “Pre year-end planning allows us to target a specific level of taxable income for each taxpayer’s unique facts and circumstances, taking into account entity structure, family considerations, other tax benefits available and tax law changes between years. The clients understand the benefit, and it is a benefit we can quantify so that they understand the value of the service that they are provided.”

The firm has a substantial practice in advising clients as to Farm Service

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or non-traditional marketing.”

Another part of the practice involves estate planning and estate tax planning challenges. Hesse says farmers and ranchers are traditionally asset-heavy and cash-poor, with liquidity an issue for paying estate tax.

“Let’s face it: no one wants to pay estate tax,” he says.

“For estate planning, the older generation wants to pass some of the estate to the non-farm children. Each person has his/her own ideas as to how the estate is to be shared. Our goal is to inform and consult with the client as to the opportunities available, without imposing one ‘best’ solution. The client’s goals are the most important; we work with the clients to assist them in achieving those goals.”

LeMaster Daniels’ sister company, TROI IT Solutions, manages specific technology-related matters, including IP Telephony, managed technology services, technology consulting, help desk support, and server and infrastructure management.

“This isn’t agricultural industry specific, but as our agricultural and agribusiness clients expand, their technology needs expand,” says Hesse. “Rather than hire in-house technology experts, TROI allows the client to access technology expertise when, how often and how long they need it.”

Agribusiness Technology Solutions

While LeMaster Daniels does not consult or resell any specific technology solution, Moag says the largest percentage of Freed Maxick’s agricultural clients use QuickBooks Pro; in fact, the firm has a Certified QuickBooks Pro Advisor working in its agricultural specialization group.

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in gross receipts, generally maintain their books on a modified accrual basis.”

In this scenario, expenses are recorded on the accrual method with an accounts payable function. Sales are recorded on an accrual basis with monthly accounts receivable aging. Inventory is adjusted at month end to underlying spreadsheets tracking harvested and growing crops or dairy cattle counts and movements. Prepaid expenses are recorded over the crop year cycle. As a result, Moag says the firm directs the client toward an accounting solution that provides income tax and monthly management information at a reasonable cost for their size farm or agribusiness.

“We make a real effort to get out to the farm office and work with the accounting personnel. Engaging the client in the software selection, standardization of the chart of accounts and on-site training accelerates the transition and acceptance of the technology. We are also working more closely with clients to elevate the level of their internal financial reporting, moving away from cash basis to accrual basis reporting.

“Developing accounting systems internal control methodologies improves the quality of the financial information we receive from the client,” Moag continues. “It also provides the opportunity for us to provide higher value consulting services to management and be responsive to lender requests and identify the key farm business success drivers.”

Bringing Value to Green Acres

Bringing value to their clients, especially in this niche environment, is key to success. Hesse tells a story involving the government in economic and social policy. A relatively new client that intended on building a new house, and many farmers live on the land on which they farm. C corporations may provide meals and lodging tax-free to employees who are required to live on the farm.

“This client fully intended to build a house, yet Congress, in its wisdom

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“This result wouldn't have been achieved for most industries,” he says. “Lawyers, for example, don't live in their law offices, and retailers usually don't live at the retail store. However, farmers have a unique business, which provides unique income and estate, and USDA agricultural program tax problems and solutions. We have become known as the experts for agriculture in our market area, and we are becoming known nationwide, all because we have a passion for our farm clients.”

For more than 20 years, Scott H. Cytron, ABC, has worked with CPAs and accountants, providing public relations, marketing and communications services. Author of *The CPA Technology Advisor's MarketingWorks* column, he works with firms and companies in professional services, including accounting, healthcare, legal, financial planning, collections and debt, and high-tech. Contact him at scottcytron@cpata.com.

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