Bookkeeping for Agri-Input Dealers

Presented by Dr. H. B. Singh
Objectives of the Session

Participants will be able to:

- Define Record Keeping
- Identify the main transactions of their business
- Identify broad types of records that should be kept by their business
What Are Records?

- Records are any paper, book, micro-film, magnetic tape, or any printout that has been generated or received by any entity to assist decision making.
Why Keep Records?

Records enable us to know:

- What has been done
- Why it was done
- How it was done
- When it was done
- Who did it
- What to do next
Types of Records

- Administrative Records
- Legal Records
- Accounting Records
- Stock Movement Records
What is Record Keeping?

It is the process which ensures that data on all business activities of the organization are adequately captured.

- It involves deciding on:
  - The types of data that need to be recorded or kept
  - How best to record or keep the data
Inputs Sale Transactions

- Buying inputs with cash or on credit
- Selling inputs for cash or on credit
- Paying for advertisement and publicity
- Paying for transport expenses
- Paying salaries, rent, and general expenses
- Receiving money for credit sales
- Paying for credit purchases
Statement by a Dealer

When a dealer says

“ I always remember how much money moves in and out of my business. I do not need to keep written records.

How many of us agree with the dealer?
Dealer and Customer

- **Dealer to customer:** David, you owe me 400,000 shillings for 10 bags of fertilizer you purchased from me some time back.

- **Customer to Dealer:** Oh no, John, I only purchased 7 bags for 280,000 shillings.

What was wrong?

What is the best solution?
Dealer: I need a working capital loan to enable me to take a big order. I will pay off the loan in six months.

Project Officer: Fine John, but the bank needs to see your records of sales and profits and your business plan.

QUESTION: What do you learn from the discussions?
Documents of Record

To record data/information on transactions, we need documents.

Some recommended documents include:

- Receipts
- Invoices
- Files for filing documents
Types of Accounting Records

- Sales records
- Purchases records
- Expenses records (rent, salaries)
- Cash records
- Fixed assets records
- Debtors/creditors records
- Records on stock movement
What Are Sale Records

Participants to brainstorm and come out with reasons on:

Why records on sales should be kept
What Are Purchase Records

Participants to brainstorm and come out with reasons on:

Why records on purchases should be kept
What Are Expense Records

Participants to brainstorm and come out with reasons on:

Why records on expenses should be kept
What Are Stock Movement Records

Participants to brainstorm and come out with reasons on:

Why records on movement of stock should be kept
What Are Cash Records

Participants to brainstorm and come out with reasons on:

Why records on cash receipts and payments should be kept
Benefits of Book Keeping

- Provides information on the business to aid decision making.
- Provides information on total sales and also sales for individual products.
- Provides information on seasons, specific products move faster.
- Provides information on monies spent on purchasing individual products.
Benefits of Bookkeeping (cont’d)

- Provides information on the profitability of the individual product lines.
- Provides information on monies spent and items the monies were spent on.
- Enables the business to meet the bank’s requirements to apply for loans.
- Provides data on money that customers owe.
- Provides data on money that the business owes.
Benefits of Bookkeeping (cont’d)

- Provides information necessary to work out the performance of current business
- Provides data to work out profit and loss statement and balance sheet
- Provides information to work out the future business projections
1. Sales Records

- Documents to record all individual sales transactions related to:

  Cash Sales and Credit Sales
Contents of Sales Records

Records on sales should capture the following information:

- Date
- Description
- Quantity
- Customer’s name
- Value of sales
- 1st installment
- 2nd installment payment
- 3rd installment payment

FOR CREDIT SALES
## Sales Records—Specimen Copy

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Customer</th>
<th>Qty.</th>
<th>Amt.</th>
<th>Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

www.ifdc.org
2. Purchase Records

- To record all individual purchases of inputs relating to

  Cash Purchases
  &
  Credit Purchases
Records on input purchases should capture the following:

- Date of transaction
- Description
- Quantity/units/volume
- Supplier’s name and address
- Value of input purchased
- 1\textsuperscript{st} installment
- 2\textsuperscript{nd} installment payment
- 3\textsuperscript{rd} installment payment
# Specimen of Purchase Record

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Supplier</th>
<th>Qty.</th>
<th>Amt.</th>
<th>Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
</tbody>
</table>
3. General Expense Records

To record transactions relating to:

- Transport cost
- Wages/salaries
- Rent
- Sales promotion
- Postage and communication
- Electricity and water
- Telephone/fax/email
## Specimen of General Expenses

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/04/03</td>
<td>Transport of inputs</td>
<td>KSh 35,000</td>
</tr>
<tr>
<td>14/04/03</td>
<td>Payment of electricity</td>
<td>KSh 50,000</td>
</tr>
<tr>
<td>22/04/03</td>
<td>Telephone expenses</td>
<td>KSh 25,000</td>
</tr>
</tbody>
</table>
Specimen of Debtors Ledger Account

Name: ______________________
Address: ________________

<table>
<thead>
<tr>
<th>Date</th>
<th>Ref.</th>
<th>Description</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Specimen of Creditors Ledger Account

Name: ______________________
Address: ____________________

<table>
<thead>
<tr>
<th>Date</th>
<th>Ref.</th>
<th>Description</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
THE END

Thank You
Examples of Record Keeping

Storekeeper recording date of arrival and inspecting condition of new stocks of pesticides, clipboard in hand.
### Recording Formats

<table>
<thead>
<tr>
<th>Pesticide group</th>
<th>Insecticide OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ref. no.</td>
<td>Inv 29/5[R3]</td>
</tr>
<tr>
<td>Common name</td>
<td>Chlorpyrifos</td>
</tr>
<tr>
<td>Trade name</td>
<td>Dursban</td>
</tr>
<tr>
<td>Formula/</td>
<td>% etc., 400 g/liter</td>
</tr>
<tr>
<td>concentration</td>
<td></td>
</tr>
</tbody>
</table>
Recording Format (cont’d.)

- Manufacturer/supplier: Monsanto USA/Aglow
- Quantity: 1,000 1-liter plastic containers
- Date received: 20 February 2004
- Use by date: 20 February 2006
Record Keeping

- Record movement of chemicals in and out of store.
- Keep records separate from the pesticide store.
Records of Disposal

- When outdated stock is eventually disposed of it should be recorded, with notes on the method of disposal of the pesticide and its containers, the location of dumps, etc.
How can I estimate my sales for the coming season?

- Your sales in previous years should be used as a starting point.
- Are your conditions expected to be better or worse?
- If there will be an extra effort to promote fertilizer use in the region, you may need additional stocks.
- Also, new developments may affect fertilizer demand.
How can I estimate my sales for the coming season? (cont’d)

- You should find out about new crops being introduced in your region and about any changes in the areas under different crops.
- Discuss with the local bank how much credit will be provided to farmers this year.
- Above all, talk to farmers, particularly your customers, to find out their plans.
What factors must I consider when placing my order?

- Look into the previous year’s records for the same period and order the amount necessary to keep enough stock to meet demand for each type of fertilizer throughout the crop calendar.
- Always keep in mind the capacity of your store and the speed with which you can get new supplies.

Source: FAO.
What factors must I consider when placing my order? (cont’d)

- Do not order more than you have room for or more than you think you can sell.
- Where suppliers offer discounts for large volumes and/or early delivery, you should consider this as well, although you will have to balance the discount against the extra cost of stocking the fertilizers.

Source: FAO.
How do I control losses?

- You should pay close attention to losses, which can result from poor stock control, theft or bad handling.
- Simple precautions can guard against loss.

Source: FAO.
How do I control stock to avoid losses?

- Put simply, stock control is monitoring the movement of your fertilizer so that you are able to account for every bag that enters and leaves your store.

- To do this, make sure that the supplier delivers the number of bags you order and pay for and that the farmer takes away the number of bags he pays for.
Are documents important to guard against losses?

- Yes, insist that your supplier provides a Delivery Note.
- Check all deliveries against this document.
- You must also issue farmers an Invoice and/or Cash Sales Receipt when you sell them fertilizer.
Stock Movement Records

- Tally Cards are used for recording receipt and issue of inputs
- Each input in the store must have its own Tally Card
- Tally Card is designed as follows:
How should fertilizer stocks be recorded in rural fertilizer stores?

- Each fertilizer stack should have a Tally Card which should show the stack number, the type of fertilizer in the stack, the date on which the fertilizer was received and stacked, and the number of bags which have been withdrawn from the stack.

- The Tally Card should be amended immediately each time bags are added to or withdrawn from the stack.

```
<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAIL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 2 - 88</td>
<td>300 RECEIVED</td>
<td>300</td>
</tr>
<tr>
<td>2 - 2 - 88</td>
<td>12 BAGS BROKEN</td>
<td>288</td>
</tr>
<tr>
<td></td>
<td>9 BAGS REBAGGED</td>
<td>297</td>
</tr>
<tr>
<td>5 - 2 - 88</td>
<td>20 SOLD</td>
<td>277</td>
</tr>
<tr>
<td>19 - 3 - 88</td>
<td>50 SOLD</td>
<td>227</td>
</tr>
<tr>
<td>19 - 3 - 88</td>
<td>1 SOLD</td>
<td>226</td>
</tr>
<tr>
<td>3 - 4 - 88</td>
<td>100 SOLD</td>
<td>126</td>
</tr>
<tr>
<td>16 - 4 - 88</td>
<td>40 SOLD</td>
<td>86</td>
</tr>
<tr>
<td>1 - 5 - 88</td>
<td>30 SOLD</td>
<td>56</td>
</tr>
<tr>
<td>7 - 5 - 88</td>
<td>10 DEMONSTRATION</td>
<td>46</td>
</tr>
<tr>
<td>30 - 6 - 88</td>
<td>BALANCE</td>
<td>46</td>
</tr>
</tbody>
</table>
```
Let’s Summarize
IMPORTANCE OF RECORDS KEEPING

- It provides information on the business to aid decision making.
- It provides information on total sales and also sales for individual products.
- It provides information on seasons, specific products move faster.
- It provides information on monies spent on purchasing individual products.
IMPORTANCE OF RECORDS KEEPING CONT’D.

- It provides information on the profitability of the individual product lines.
- It provides information on monies spent and items the monies were spent on.
- It enables the organization to meet bank’s information requirements when business applies for loans.
- How much money customers owe.
- How much money the business owes.
IMPORTANCE OF RECORDS KEEPING CONT’D.

- Provides the business with information necessary to prepare reports on the performance of current business operations:
  - Profit and Loss Account
  - Balance Sheet

And future business forecasts