Purpose: *This guide helps you record entries related to capital items or sometimes called non-current assets. These are assets that support all your financial projects and include items such as breeding animals, equipment, land and improvements.*

Step 1 – Setup Beginning Inventory of Capital Items
(if applies to you, if not skip to step 2)

What is Beginning Inventory?~ This represents large value items you utilize in your projects that you purchased before you were in agricultural education in high school.

Your first date in agriculture education classes establishes your start date…and any large value items owned before that date are beginning inventory!

   a. Choose the "Finances" section of AET
   b. Choose "Beginning Projects and capital items, before your first day in Ag" menu
   c. Make sure you have the correct date on the screen that represents your first day in an agricultural science course…if not enroll in your correct course
   d. Select the "Capital Items" tab
   e. Complete each blank to setup your items…cost is the approximate value in todays terms…hit save and add a new item
   f. Once entered…go to the capital item manager under the Finances tab and edit each beginning item to have….
         1. Enter a salvage value…a value less than the cost of the item that represents an estimated value of the item at the end of your use in agriculture education…likely 4 years.
         2. Enter a complete description for the item

Step 2 – Enter the Purchase of Capital Assets
(This is buying capital items for use in your projects)

What is a Capital Item? ~ These are <u>high cost</u> items used in your projects for <u>several years</u>, examples include breeding livestock, equipment and land. Small value items should be entered as operating expenses.

   a. Select the "Finances" section of AET
   b. Select the "Buy, sell and record the usage of capital items"
   c. Select "add new" to record the purchase of a capital item
   d. Complete all the blanks….some important ones are:

1. Salvage value: should be less than the cost you paid for the item (salvage value is the estimated value you can sell the asset for once you are done using it)
2. Depreciation method: choose a correct "years of use" area…a suggestions is that breeding animals are 10, equipment is 10 and improvements are 20

Step 3 – Recording Annual Usage (A task for December 31 of each year!)

Use of a capital item helps allocate any depreciation to the projects that make use of the item. This also allocates any depreciation cost to the project ~ For example, my tractor is used for both my breeding beed and hay projects at equal use / so 50% breeding beef and 50% hay.

a. Select the "Finances" section of AET
b. Select the "Buy, sell and record the usage of capital items"
c. Select your asset and the "Usage" menu item for the asset
d. Enter the % allocation to each project that utilized the asset…or to enter them faster you can double-click a cell for an equally divided value
e. Repeat for each asset that is able to be depreciated….*(not all assets are depreciated…such as raised breeding livestock and land)*
f. *Repeat EACH YEAR once you pass Dec 31*

Step 4 - Entering the sale of Capital Assets
(This is selling capital items you had purchased, but decided to sell)

Why Sell a Capital Item? ~ These high value items are sometimes not used as much as planned, or you no longer need the item…sell them and hopefully make a profit! Review your Capital Items report before you sell.

a. Select the "Finances" section of AET
b. Select the "Buy, sell and record the usage of capital items"
c. Select your asset and "Sell" to record the sale information
d. Complete all the blanks….you can review your current book value (purchase cost less any accumulated depreciation) and your sales price to have an estimate of how selling this capital item will increase or decrease your net worth.

* See the depreciation guide for more information on how depreication is calculated and the depreciation worksheet to try examples for serveral types of capital items.

Questions?
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