

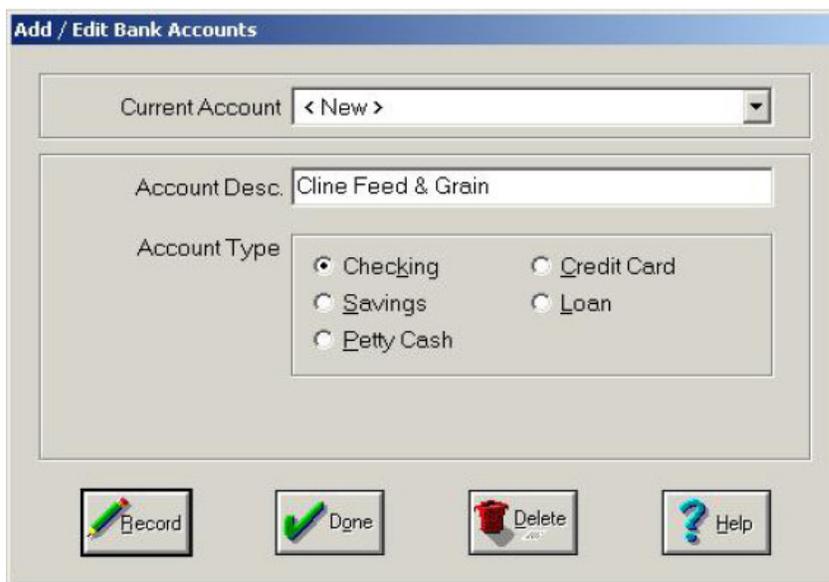
Setting Up Hedging Accounts

For margin calls, you can set up your hedging accounts just like checking accounts. When set up this way, you can record checks (that is, withdrawals) for hedging losses, as well as, payments that the vendor makes to you from the account. You can record gains and margin calls that increase the balance of the account as deposits to the account.

CAUTION ... If you desire, you can choose an expense account, rather than a revenue account, for hedging or margin calls. However, make sure you use the same revenue account or expense account to record both deposits and expenses. Otherwise, Farm Funds will not automatically calculate the net hedging amount when you prepare your tax returns. If you expect to make a profit from the hedging account, we recommend you make it a revenue account.

To set up a hedging account:

1. If you have just started using Farm Funds, or have not yet closed your first year-end financial record, you can set up a hedging account in initial setup:
 - Click the **Accounting** menu on the Farm Funds menu bar, and then click **Initial Setup of Accounts**. Click **OK** to the message box that asks you to confirm you want to return to Initial Setup.
 - Farm Funds replaces the **Accounting** menu with the **Setup** menu. Click **Bank and Cash Accounts** on the **Setup** menu to open the **Initial Setup of Bank and Cash Accounts** dialog box.
 - In the Initial Setup of Bank and Cash Accounts dialog box, click <New> in the Current Account list and type a name for the new account in the Account Description box.
 - Click the Checking option button, enter a balance for the hedging account (if necessary), and click Record and Done.
 - To leave the Initial Setup and begin using the new account, click Exit Initial Setup on the Setup menu.
2. If you have already closed your first year-end project, add the hedging account by way of the **Add/Edit Bank Accounts** dialog box:
 - Point to Cash Account Maintenance on the Accounting menu, and then click Add/Edit Cash Accounts. This brings up the Add/Edit Bank Accounts dialog box.



The screenshot shows the 'Add / Edit Bank Accounts' dialog box. At the top, there is a dropdown menu for 'Current Account' with '< New >' selected. Below that is a text field for 'Account Desc.' containing 'Cline Feed & Grain'. Underneath is the 'Account Type' section with five radio button options: 'Checking' (selected), 'Credit Card', 'Savings', 'Loan', and 'Petty Cash'. At the bottom of the dialog box, there are four buttons: 'Record' (with a pencil icon), 'Done' (with a green checkmark icon), 'Delete' (with a red trash can icon), and 'Help' (with a question mark icon).

- In the Add/Edit Bank Accounts dialog box, click <New>, enter a description for your new hedging account, click the Checking option button, and click Record and Done.
Tip ... Type a specific description if you plan to have several hedging accounts (for example, instead of "Hedging Account" type something like "Hedging for 2007 Corn").

Documenting Hedging Losses

Since hedging losses decrease the balance in your brokerage account, Farm Funds records them like a check that will reduce the balance of your hedging checking account.

Also See ... For information on recording hedging gains (that is, margin calls) see "Entering Income from Hedging Gains" in the chapter "Income, Sales and Deposits".

To enter a hedging loss:

1. Click **Checking** in the list of the toolbar and click the **Record Payment/Purchase** toolbar button on the toolbar. This opens the **Payments and Purchases** dialog box (see the figure that follows).
2. In the **Payments and Purchases** dialog box, click the date in the **Date** box and the vendor from the **Vendor** list (or click **<Add/Edit>** to add a new vendor).
3. Type the invoice number, or a brief description to summarize the transaction, in the **Description or Invoice Number** box.
4. Click the **Other Expenses & Payments** toolbar button in the **Items Purchased** area to enter the hedging loss.
5. In the **Expense and Other Payments** dialog box, enter the amount of the loss as a *positive* number
6. Click the option button for your hedging account (**Revenue Accounts**, for example), and click the hedging account from the **Account** list (for instance, the **Hedging Gains/Losses** account).



7. If the dialog box does *not* display the hedging account, click the **Add Account** button.
8. In the **Chart of Accounts Setup** dialog box that opens, click the **Revenue** option button, click **Hedging Gains/Losses** in the list, and click **Record** and **Done**.
9. In the **Expense and Other Payments** dialog box, click **Hedging Gains/(Losses)** in the list.
10. To allocate the loss to a group of fields, click **Field Crops-Mine** in the **Enterprise Allocation** area. Click the fields you wish to use for the allocation in the list, or click the **All** button to allocate the loss among all the fields displayed in the list. Click **OK** to continue.

Tip ... Even though this is a hedging loss, we recommend you enter the loss in the same hedging account where you enter gains. This way, Farm Funds displays the net hedging amount when you prepare your taxes returns.

Tip ... Click the **Show Me** button if you find too many fields displayed in the list and want to limit the number of fields from which to click. In the **Show Me** dialog box that opens, click the crop year, commodity, and farm or ranch in the lists. You can also click only opened or only closed fields, or click just one field in the lists. Then, click **OK** to continue. Back in the **Expense and Other Payments** dialog box, Farm Funds displays only the fields that meet the criteria you chose.

Expense and Other Payments

Amount: \$199.00

Account:

- Expense Accounts
- Revenue Accounts
- Other Accounts



Hedging Gains/(Losses)

- Hogs Sales
- Interest Income
- Inventory Supplies Sales
- Livestock Transfers
- Milk Sales
- Oats Sales
- Rent Income - Equipment
- Rent Income - Land

Enterprise Allocation:

- None
- Field Crops - Mine
- Field Crops - Landlord
- Equipment
- Livestock
- People
- Structures

05 Soybeans - Wilson #3

05 Wheat - Henry N

05 Wheat - McCool #1

05 Wheat - McCool #2

05 Wheat - McCool #3

05 Wheat - Presley #5

05 Wheat - Wilson #2

07 Corn - Home #1

07 Oats - Home #3

07 Soybeans - Home #4

- If you chose more than one field, Farm Funds displays the **Multiple Allocation** dialog box and splits the loss amount among the fields based on their respective sizes. To split the amount evenly among the fields, click **Split Evenly**.
- Click **OK** to return to the **Payments and Purchases** dialog box.
- In the **How You Paid** area of the **Payments and Purchases** dialog box, record the reduction of your brokerage account balance by clicking the **Check** toolbar button.
- In the **Check Purchase** dialog box, click the correct brokerage account in the **Checking Account** list.

Tip ... For the check number, you can use the date or the brokerage transaction number for your check number (123107, for example).

Check Purchase

Checking Account: Cline Feed & Grain

Current Balance: \$777.77

New Balance: \$578.77

Christopher Irwin
Box 250
Hamilton, IN 46742
219-488-3492

Date: 12/31/2007

Check #: 123107

Pay to the Order of: Cline Feed & Grain

\$199.00

MEMO: one hundred ninety-nine and 00/100

Memo: 07 Hedging Loss

Account #:

- Click **OK** to continue.

FYI ... Farm Funds will notify you if you have a negative balance in the hedging account after the reduction. Simply click **Yes** to the message to proceed.

16. The **Payments and Purchases** dialog box displays a summary of your transaction.

Tip ... You can make modifications by clicking the button to the left of any entry in the **Items Purchased** or the **How You Paid** areas, or delete an entry by clicking the **Remove** button to the right of the entry amount

Payments and Purchases

Purchase Options Payment Options

Vendor: Cline Feed & Grain Date: 12/31/2007 Journal Entry #: 342

Description or Invoice #: 07 Hedging Loss Add to list of templates

Items Purchased:

\$ Hedging Gains/(Losses) (Mult-Details)	199.00
Total Purchase	199.00

How you paid:

Cline Feed & Grain	199.00
Total Payment	199.00

Difference: \$0.00

Buttons: Record, Done, Help

17. After you have made all entries and your transaction is balanced with a difference of zero dollars, click **Record** to post your transaction and **Done** to close the dialog box.