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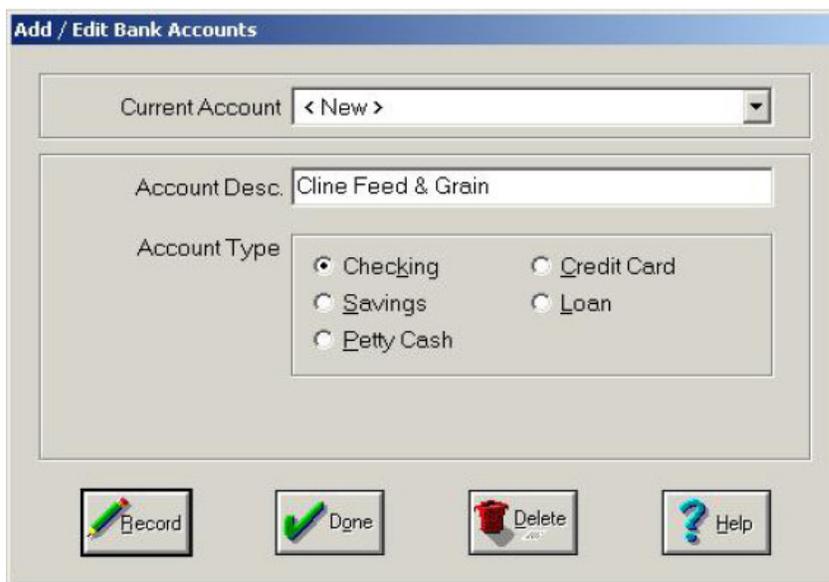
   - In the Add/Edit Bank Accounts dialog box, click <New>, enter a description for your new hedging account, click the Checking option button, and click Record and Done.
      - *Tip … Type a specific description if you plan to have several hedging accounts (for example, instead of "Hedging Account" type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

> **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.*

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 …** *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.*

11. 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**.
12. Click **OK** to return to the **Payments and Purchases** dialog box.
13. In the 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.
14. *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).*

15. 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*

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.