FUR FARM COST ACCOUNTING

R. T. Burdick, Associate Economist
Colorado State College of Agriculture and Mechanic Arts

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Accounting is an aid in modern business. It may be as simple or as complex as one may desire.

General accounting is a "time record." It gives the total money expense, and income, for a period of time. In its simplest form it should show total receipts for the month or year, and total expenses. By classifying these two totals they can be subdivided into classes of receipts or expenses. But regardless of what is done, the final result will show "total receipts or expenses for a period of time."

Cost accounting starts where general accounting ends. Its purpose is to divide expenses among the "units" produced. Each unit produced is traced through the production process and all "costs" are compiled against it. The final result will show the cost of the individual item produced. This unit should be the article or service finally offered for sale. This permits a direct comparison between the cost of the unit and its sale price. In fox farming the "fox pup" will be the usual end product whose cost is desired. Sometimes it might be the "pair of foxes" or again it might be the "pelt" sold.

The important distinction between general accounting and cost accounting is one of "what is required" from the final record. If total cost of labor, or feed, or materials, or general expenses is desired, then general accounting will give the answer. If the cost
per pup or per fox is needed, cost accounting will be necessary. And
general accounts must be kept in order to furnish the required infor-
mation that will be analyzed for the desired costs.

In either case one should strive for simplicity in the records. Many people have been disgusted by attempting to use and understand
some complex system of accounting. Such systems work when handled by
trained accountants. They are not workable under ordinary conditions.
It is better to keep a simple record and have it correct than to attempt
a detailed study and fail to complete it. It is the use made of the
record that counts, not its exact form. No record is any better than
the use made of it.

In planning to keep records of our business, we should ask this
question: What is it that I require in the way of records? Then, What
are the simplest records, details and methods needed to furnish this
desired information? These questions should be settled first, then
the routine work of keeping records should be assigned to someone who
will be patient with detail, accurate with details, complete in their
statements of fact so that the final records will be complete and re-
liable. No one should attempt to carry details in his head.

Usually it is as important to know the quantities of materials
as it is to know the dollar cost. This is especially true when records
are used as a guide to future planning for the business. It is as neces-
sary to know the answer to "How many pounds of feed are required?" or
"How many months of labor must be hired?" as to know the dollar cost.

Cost accounting for the individual enterprise. One of the chief
complications of cost accounting arises from the necessity of pro-rating
expense to several parts of the business. This is the case of the farmer who produces two or three cash crops and feeds livestock. The proper division of cost between these enterprises is a complicated procedure.

The farmer with one major enterprise is spared that difficulty. The typical fur farmer is a specialist. He buys his feed. His sole interest is in fox production. This is the simplest form of cost accounting because the general accounting records for the year can be compared directly with the production of fox pups for the year to find each important part of the total cost.

The chief accounting problem which needs attention is the one of distinguishing between current fox farm expense on the one hand and personal and household expenses on the other. The fox farm is the source of income; the family spends it. They should be kept separate and distinct. There is one other distinction — that of current expense in contrast to investment. Investment should not be included in current expenses for the year. The customary method of handling investments is to charge a yearly depreciation for their use.

Sometimes the distinction between expense or investment is more or less arbitrary, or a matter of convenience. For example, the posts, wire and materials used to repair fences can be treated as current expense and no depreciation allowed on fence investment. Over a period of years there is little building of new fences and expansion; these annual fence repairs will maintain the fence indefinitely. But the erection of considerable new fencing is obviously an investment.

The details which should be kept in separate records for fox
farming will vary somewhat according to the conditions on the individual ranch. Usually it will be found helpful if the following records are separate:

1. One's own fox pens separate from partnership pens.

2. For each of the above, these items

   a) feed (quantity and dollars)
   b) labor (months and dollars)
   c) selling expense
   d) transportation, including trucks and use of personal auto
   e) depreciation
   f) general overhead expense
   g) estimated value of owner's labor
   h) changes in inventory
   i) income
   j) pup production and breeding records
   k) cost analysis of above expenses in relation to pups produced.

Some of these may not be needed. Experience will furnish a reliable guide. The important point is to keep and to use the records. Especially to study the records from year to year to discover reasons for changes.

For example, an increase in feed cost per pup should be studied to find the cause. Extra labor expense should be analyzed. Sometimes increases are due to uncontrollable causes. Generally there is a reason that can be corrected.

Experience will aid in setting up standards or reasonable costs. When the records show wide variation from these normal costs, then the manager can act to restore normal conditions. Sometimes one desires to experiment with some new method of feeding or breeding, or to discover the market value of certain methods of handling. In this case, use care to keep separate records that will show the added cost of the new methods. This can be compared with the added income. Watch especially
for trends from year to year that show improvements in production or reduction in expenses, or the reverse.

Fox farming is a business. It will repay study the same as any other business. The use of accurate records will prove to be a vital part of any such study.