

Module 1: Record Keeping and Cash Flows

Teaching Notes:

This module is meant to be an introduction to personal money management and the importance of tracking cash flows. This module gives your students the basic building blocks to complete the long-term homework assignment of creating their own financial plan. Before starting the presentation have your students fill out the financial self-assessment worksheet, this worksheet will help them understand their current financial situation, and hopefully give them motivation to go through the entire money management modules to learn how to manage their money and gain a better financial outlook. There are several different examples of ways to track cash flows in this module, but they are not the only ways of doing this. In this module we use manila envelopes as an example to keep track of different expenses; they are not provided but can be used as a helpful additional resource. If they have access to a computer, use excel, if they are not so computer savvy, use a filing system. Encourage your students to start simple; they can add additional details as they become more comfortable tracking their cash flows. By the end of module 1, your students should have a clear method for how they want to track their expenses and build a cash flow budget.

Educational Objectives:

- Understand the importance of record keeping
- Understand the five steps to record keeping
- Develop a record-keeping system that works for you
- Understand the cash-flow process
- Understand how to analyze your cash flow to make better money management decisions

Discussion Topics:

- Why is keeping a budget a good idea? ... Is it constraining?
- What is cash flow statement?
- Why is it useful to analyze your cash flow statement?
- What suggestions do you have for keeping good records?

Resources:

- **Worksheets:**
 - a. **Financial Self-Assessment Worksheet** – This worksheet asks a series of questions that will help your students figure out what areas they need to focus on. This worksheet asks questions that will be covered throughout the money management modules, and is a good way of preparing your students for the rest of the modules.
 - b. **Monthly Journal Entry** – Input all income and expenses on a weekly basis, give a brief description of your transactions, and assign them to different categories like rent, gas, household supplies, food, etc. Assigning a category will help organize your records for your cash-flow statement. Filling in your monthly journal entry weekly will help you stay committed to your budget and not get bogged down with receipts.

- c. **(Farm/Personal) Cash Flow Worksheet** – From your monthly journal entry, total up your income by categories and input those numbers into the Cash Inflow section. Repeat this with your expenses and transfer them to the Expenses section of the Cash Flow worksheet. The Cash Flow worksheet should be an accurate representation of where your money is going on a monthly basis. Examine this worksheet and see if any income or expenses entries are missing or categorized incorrectly. You will begin to see trends in your categories the more time you put into your cash flow worksheet. For example, you might notice that you spend \$200 a week on groceries and \$300 on gas every month.
 - d. **Annual Cash Flow (by Month or by Category)** – Annual Cash Flow is the sum of all of your Cash Flow worksheets. This can be divided into categories and you can see how much you earn/spend in each category, or you can see your monthly income and expenses. These worksheets help you examine what categories or months you might have overspent. You can also examine if your expenses are expected (Christmas shopping) or unexpected (car accident). The more you keep track of your cash flow, the less often unexpected events, like car registration or insurance costs, will arise.
- **Other:** Website: <http://www.rightrisk.org>

Outline:

1. Objectives
2. Record Keeping
 - a. Why keep records?
 - b. Keeping financial records
3. Hand vs. Computer Records
4. 5 Basic Steps to Record Keeping
 - a. Keep all income and expense receipts daily
 - b. Record receipts in a journal entry weekly
 - c. Transfer journal entries to a monthly ledger
 - d. Estimate your cash flow yearly
 - e. Cash flow analysis
5. Cash Flow Statements
 - a. Income
 - b. Expenses
 - c. Taxes and loans
 - d. Savings and investment
 - e. Net cash flow
6. Types of Expenses
7. Summary
8. Long Term Assignment
 - a. Track income and expenses for eight weeks
 - b. Provide a template for tracking income and expenses

Money Management Module 1: Initial Financial Self-Assessment

The money management modules are meant to help you gain a clearer picture of your personal financial standing. The modules will teach you concepts about budgeting, savings, credit cards and loans. Understanding these concepts will help you take control of your finances and guide you to a better financial future. First take the initial financial self-assessment to see what areas you can improve on.

Do I have a Budget?	Y	N
Do I look at it and update it on a weekly basis?	Y	N
Do I have a method of tracking my income and expenses?	Y	N
Do I track my income and expenses on a daily basis?	Y	N
Do I have an emergency fund?	Y	N
How many months do I have? _____		
Do I need to invest more in this fund?	Y	N
How much do I need? _____		
Where is this invested? _____		
How much debt do I have? _____		
Do I have a list of all my loans/debts?	Y	N
Do I need to pay down unsecured debt (credit cards)?	Y	N
Do I need to refinance a secured loan (home mortgage)?	Y	N
What is my credit score? _____		
Do I need to boost my credit score?	Y	N
Do I have a savings for retirement?	Y	N
How much do I need to save for retirement? _____		
Do I need to boost this amount?	Y	N
How much do I need to save each month? _____		
Do I have savings for higher education?	Y	N
Do I need to have an education fund for myself and/or my children?	Y	N
How much do I need? _____		
How much do I need to save each month? _____		
Do I have other savings goals?		

How much do I need? _____		
How long do I have to save? _____		

Make a list of what you need to work on.

Total how much money you will need each month for your goals.

As you go through the money management modules keep your financial assessment in mind as you build a personal budget to get yourself out of debt and on to saving for your goals.

Farm Cash Flow

From: _____ To: _____

Cash Inflow

Farm Sales

Livestock

Eggs

Dividend and Interest

Rental Income

Social Security Income

Total Income:

	Fixed	Monthly	Total
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$

Farm Expenses

Farm Vehicles

Chemicals and Fertilizer

Gasoline, Fuel, and Oil

Repairs and Maintenance

Seeds and Plants

Supplies

Feed

Utilities

Total Farm Expenses:

	Fixed	Monthly	Total
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
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Taxes

Income Tax

Property Tax

Total Taxes:

	Fixed	Monthly	Total
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$

Loan Payments

Farm Mortgage

Machinery Loan (1)

	Fixed	Monthly	Total
\$	\$	\$	\$
\$	\$	\$	\$

Farm Cash Flow

From: _____ To: _____

Machinery Loan (2)
Credit Cards

\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$

Total Loan Payments:

\$	\$	\$
----	----	----

Total Outflow

\$	\$	\$
----	----	----

Net Cash Flow: +/-

\$	\$	\$
----	----	----

Personal Cash Flow

From: _____ To: _____

Inflow

- Wages and Salaries
- Income
- Income
- Dividend and Interest
- Rental Income
- Social Security Income

	Fixed	Monthly	Total
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
Total Income:	\$	\$	\$

Living Expenses

- Food and Meals
- Rent
- Medical Care
- Health Insurance
- Household Supplies
- Clothing
- Personal Care
- Child Care
- Gifts
- Education
- Recreation
- Utilities
- Renter's Insurance
- Life Insurance
- Vehicle Repairs and Maintenance
- Fuel
- Household Repairs

	Fixed	Monthly	Total
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
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\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
Total Living Expenses:	\$	\$	\$

Taxes

- Personal Income Tax
- FICA

	Fixed	Monthly	Total
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
Total Taxes	\$	\$	\$

Loan Payments

- Home Mortgage
- Car Loan (1)

	Fixed	Monthly	Total
\$	\$	\$	\$
\$	\$	\$	\$

Personal Cash Flow

From: _____ To: _____

Car Loan (2)
Student Loan
Credit Cards

\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$

Total Loan Payments

\$	\$	\$
----	----	----

Total Outflow

\$	\$	\$
----	----	----

Net Cash Flow: +/-(-)

\$	\$	\$
----	----	----

Annual Cash Flow by Category

Year: _____

Income Categories	
Farm Sales	\$
Livestock	\$
Eggs	\$
Dividend and Interest	\$
Rental Income	\$
Social Security Income	\$
_____	\$
_____	\$
_____	\$
Total Income:	\$
Expenses Categories	
Farm Vehicles	\$
Chemicals and Fertilizer	\$
Gasoline, Fuel, and Oil	\$
Repairs and Maintenance	\$
Seeds and Plants	\$
Supplies	\$
Feed	\$
Utilities	\$
_____	\$
_____	\$
_____	\$
_____	\$
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_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
Total Expenses:	\$
Net Income: +/-	\$

Annual Cash Flow by Category

Year: _____

Income Categories	
Farm Sales	\$
Livestock	\$
Eggs	\$
Dividend and Interest	\$
Rental Income	\$
Social Security Income	\$
_____	\$
_____	\$
_____	\$
Total Income:	\$
Expenses Categories	
Farm Vehicles	\$
Chemicals and Fertilizer	\$
Gasoline, Fuel, and Oil	\$
Repairs and Maintenance	\$
Seeds and Plants	\$
Supplies	\$
Feed	\$
Utilities	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
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_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
Total Expenses:	\$
Net Income: +/-	\$

Annual Cash Flow by Category

Year: _____

Income Categories	
Income	\$
Income	\$
Dividend and Interest	\$
Social Security	\$
Rental Income	\$
Total Income:	\$
Expenses Categories	
Food and Meals	\$
Rent	\$
Medical Care	\$
Health Insurance	\$
Household Supplies	\$
Clothing	\$
Personal Care	\$
Child Care	\$
Gifts	\$
Education	\$
Recreation	\$
Utilities	\$
Renter's Insurance	\$
Life Insurance	\$
Vehicle Repairs and Maintenance	\$
Fuel	\$
Household Repairs	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
Total Expenses:	\$
Net Income: +/-	\$

Annual Cash Flow by Category

Year: _____

Income Categories	
Income	\$
Income	\$
Dividend and Interest	\$
Social Security	
Rental Income	\$
Total Income:	\$
Expenses Categories	
Food and Meals	\$
Rent	\$
Medical Care	\$
Health Insurance	\$
Household Supplies	\$
Clothing	\$
Personal Care	\$
Child Care	\$
Gifts	\$
Education	\$
Recreation	\$
Utilities	\$
Renter's Insurance	\$
Life Insurance	\$
Vehicle Repairs and Maintenance	\$
Fuel	\$
Household Repairs	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$
Total Expenses:	\$
Net Income: +/-	\$

Annual Financial Summary

Annual Cash Flows		
Year: _____		
Month	Income	Expense
January	\$	\$
February	\$	\$
March	\$	\$
April	\$	\$
May	\$	\$
June	\$	\$
July	\$	\$
August	\$	\$
September	\$	\$
October	\$	\$
November	\$	\$
December	\$	\$
TOTAL	\$	\$

Net Cash Flow (+/-) : \$ _____

Annual Cash Flows		
Year: _____		
Month	Income	Expense
January	\$	\$
February	\$	\$
March	\$	\$
April	\$	\$
May	\$	\$
June	\$	\$
July	\$	\$
August	\$	\$
September	\$	\$
October	\$	\$
November	\$	\$
December	\$	\$
TOTAL	\$	\$

Net Cash Flow (+/-) : \$ _____

Annual Cash Flows		
Year: _____		
Month	Income	Expense
January	\$	\$
February	\$	\$
March	\$	\$
April	\$	\$
May	\$	\$
June	\$	\$
July	\$	\$
August	\$	\$
September	\$	\$
October	\$	\$
November	\$	\$
December	\$	\$
TOTAL	\$	\$

Net Cash Flow (+/-) : \$ _____

Annual Cash Flows		
Year: _____		
Month	Income	Expense
January	\$	\$
February	\$	\$
March	\$	\$
April	\$	\$
May	\$	\$
June	\$	\$
July	\$	\$
August	\$	\$
September	\$	\$
October	\$	\$
November	\$	\$
December	\$	\$
TOTAL	\$	\$

Net Cash Flow (+/-) : \$ _____

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