

Red Sky RAPID AUDIT

The Red Sky “rapid audit” process is documented to assist experienced users of Red Sky to rapidly review a Year of data. This process has been developed to raise “red flags” in relation to data that may require further analysis and/or follow-up questions of the farmer. Although this should not be considered an exhaustive audit procedure, if followed diligently it should assist in finalising Red Sky reports that will have few, if any, significant errors.

Potentially the most important focus of the audit should be the profit per cow and profit per hectare reports as these can highlight where revenue or expenses are likely to be either incorrect, allocated to the wrong code, or requiring capitalisation. The table below, which is explained in full nearer the end of this document, highlights the ratios in the profit per cow and profit per hectare report that should be reviewed and the ranges within which they should reasonably sit. The most important of these ratios and the ones most commonly incorrect are further highlighted in yellow.

PER COW - New Zealand	Benchmark	Maximum	Minimum
Revenue per Cow	\$ -	\$ -	\$ -
Livestock Revenue	210	320	80
Other Revenue	15	50	0
Expenses per Cow	\$ -	\$ -	\$ -
Animal Health	100	180	40
Breeding & Herd Testing	60	110	20
Dairy Shed Expenses	25	50	15
Electricity	45	70	30
Grazing / Support Area	215	500	100
Freight	10	40	0
Repairs & Maintenance	130	220	70
Vehicle Expenses (including fuel & oil)	80	130	40
Management & Staff Expenses	425	600	280
Depreciation	160	250	80
PER HECTARE - New Zealand	Benchmark	Maximum	Minimum
Expenses per Hectare	\$ -	\$ -	\$ -
Administration (incl. professional fees)	140	240	70
Cropping (green feed)	45	90	0
Nitrogen	235	350	60
Phosphate & All Other Fertiliser	335	540	180
Irrigation	90	540	0
Pasture Maintenance & Renovation	135	240	60
Rates, Licenses, Levies & Insurance	250	350	150
Repairs & Maintenance	395	600	200
Depreciation	485	800	200

The balance of this document progressively works through the screens of Red Sky highlighting the key numbers to audit. There are notes relating to each screen and where appropriate, the relevant numbers highlighted with a **red** outline box. Above each screenshot in bold is the name and hierarchy of the tab, with the red tab name followed by the orange tab name and then the relevant yellow tab in capitals.

The first of these screenshots below is the **General** screen where the following should be checked:

- ❖ Year – is this the correct?
- ❖ Actual/Budget – is Actual selected?
- ❖ Use Stock Reconciliation – is this selected? If it is, then livestock revenue is more likely to be correct.
- ❖ 4Yr Avg Values = market Values – is this selected? In most cases there is no need to differentiate between 4yr average and market values of land and livestock, and there is less margin for error if this is selected.

Red Sky Farm Performance Analysis

GENERAL

Year Name: <input type="text" value="Australia Dairy (rec) - demo"/>		Farmer/Client: <input type="text" value="Red Sky DEMO Fams"/>
Start of Financial Year: <input type="text" value="July"/>	Year: <input type="text" value="2019"/>	Farm Name: <input type="text" value="Australia Red Sky DEMO"/>
Description: <input type="text" value="DOES include full livestock reconciliations."/>		Franchise: <input type="text" value="rs"/>
		Consultant: <input type="text" value="db"/>

Area Make Editable Area Year <input checked="" type="checkbox"/> Years with editable areas left on this license*: <input type="text" value="2"/> Licence Expiry: <input type="text" value="31/12/2029"/> <input type="button" value="View Area Details"/> Operator Status: <input type="text" value="Farm Owner (livestock owned or leased)"/>	Effective Areas: Dairy 156.0 Shee 0.0 Beef 0.0 Crops 0.0 Other 0.0 Other2 0.0 Total Effective Area: 156.0 Total Area: 172.1	Actual/Budget Actual <input checked="" type="radio"/> Budget <input type="radio"/> Data Entry Level: Financial Only <input type="radio"/> Financial & Physical <input checked="" type="radio"/> Licensing Model: Annual Report License <input type="checkbox"/> Physical Upgrade License <input type="checkbox"/> Upgrade to Full License <input type="checkbox"/> Full Red Sky License <input checked="" type="checkbox"/>
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Parameters Opportunity Cost of Capital: <input type="text" value="6.0 %"/>	Currency Conversion <input type="text" value="1.0000"/> Synchronised <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> Use Stock Reconciliation <input checked="" type="checkbox"/> 4Yr Avg Values = Market Values
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Financial – Assets (Land & Buildings) – DAIRY

	2017/18 Farmer A	2016/17 Farmer A	2017/18 NZ Average	2017/18 NZ Top 10%
Dairy Land & Buildings Value at Start				
Farmed Dairy Hectares at Start	141.9	141.9	191.3	183.6
Owned Dairy Hectares at Start	121.8	121.8	181.2	167.8
Leased / Rented Dairy Hectares at Start	20.1	20.1	10.0	15.8
Owned Dairy Area Market Value at start	\$ 6,323,172	\$ 6,323,172	\$ 7,733,478	\$ 7,300,452
-Market Value per Dairy Hectare Owned	\$ 51,914	\$ 51,914	\$ 42,671	\$ 43,498
-Market Value per Dairy Area Owned, \$/acre	\$ 21,009	\$ 21,009	\$ 17,269	\$ 17,603
-Market Value per Milksolid weight	\$ 36.73	\$ 36.86	\$ 39.07	\$ 31.96
Owned Dairy Area 4-Year Rolling Average Value at Start	\$ 6,323,172	\$ 6,323,172	\$ 7,733,478	\$ 7,300,452
- 4-Year Rolling Average Value per Dairy Hectare Owned	\$ 51,914	\$ 51,914	\$ 42,671	\$ 43,498
- 4-Year Rolling Average Value per Dairy Area Owned, \$/acre	\$ 21,009	\$ 21,009	\$ 17,269	\$ 17,603
- 4-Year Rolling Average Value per Milksolid weight	\$ 36.73	\$ 36.86	\$ 39.07	\$ 31.96
Dairy Land & Buildings Value at End				
Farmed Dairy Hectares at End	141.9	141.9	191.3	183.6
Owned Dairy Hectares at End	121.8	121.8	181.2	167.8
Leased / Rented Dairy Hectares at End	20.1	20.1	10.0	15.8
Owned Dairy Area Market Value at End	\$ 7,317,655	\$ 6,323,172	\$ 7,849,480	\$ 7,409,959
-Market Value per Dairy Hectare Owned	\$ 60,079	\$ 51,914	\$ 43,311	\$ 44,157
-Market Value per Dairy Area Owned, \$/acre	\$ 24,314	\$ 21,009	\$ 17,528	\$ 17,870
-Market Value per Milksolid weight	\$ 42.50	\$ 36.85	\$ 39.66	\$ 32.45
Owned Dairy Area 4-Year Rolling Average Value at End	\$ 7,317,655	\$ 6,323,172	\$ 7,849,480	\$ 7,409,959
- 4-Year Rolling Average Value per Dairy Hectare Owned	\$ 60,079	\$ 51,914	\$ 43,311	\$ 44,157

- ❖ Are opening and closing values per hectare, including changes to these values, reasonable given your knowledge of the market?
- ❖ Is opening value per hectare for the present year the same as closing value from the previous year?

Financial – Assets (Plant & Other) – VEHICLES & MACHINERY

- ❖ Are opening and closing values for vehicles and machinery, including changes to these values, reasonable given your knowledge of the farmer and any sales or purchases of machinery?
- ❖ Are opening values for the present year the same as closing values from the previous year?

Red Sky Farm Performance Analysis

	2017/18 Farmer A	2016/17 Farmer A	2017/18 NZ Average	2017/18 NZ Top 10%
Vehicles	\$ -	\$ -	\$ -	\$ -
Dairy Vehicles Value at Start	56,510	45,348	105,437	91,092
Total Vehicles Value at Start	56,510	45,348	105,437	91,092
Dairy Vehicles Value at End	58,215	56,510	105,737	91,505
Total Vehicles Value at End	58,215	56,510	105,737	91,505
Plant and Machinery	\$ -	\$ -	\$ -	\$ -
Dairy Plant & Machinery Value at Start	39,522	37,738	118,259	107,806
Total Plant & Machinery Value at Start	39,522	37,738	118,259	107,806
Dairy Plant & Machinery Value at End	40,045	39,522	118,596	108,295
Total Plant & Machinery Value at End	40,045	39,522	118,596	108,295

Financial – Assets (Plant & Other) – OTHER ASSETS

	2017/18 Farmer A	2016/17 Farmer A	2017/18 NZ Average	2017/18 NZ Top 10%
Other Assets	\$ -	\$ -	\$ -	\$ -
Dairy Other Assets Value at Start	0	0	62,239	58,503
Total Other Assets Value at Start	0	0	62,239	58,503
Dairy Other Assets Value at End	0	0	62,317	58,482
Total Other Assets Value at End	0	0	62,317	58,482
Leased & Rented Assets	\$ -	\$ -	\$ -	\$ -
Dairy Leased/Rented Assets Value at Start	993,176	987,160	370,005	331,234
Total Leased/Rented Assets Value at Start	993,176	987,160	370,005	331,234
Total of ALL Assets Value at Start for Expense Distribution Between Enterprises				
Dairy Percentage Value of ALL Assets Value at Start	100.0 %	100.0 %	100.0 %	100.0 %
Total All Assets Value at Start	\$8,843,934	\$8,304,248	\$10,967,197	\$10,092,839

- ❖ Is the value of relevant leased dairy assets (normally land and/or livestock) reasonable given your knowledge of the market? If these values are significantly inflated or deflated, then this will impact on return on capital and return on assets.
- ❖ Has the relevant lease (or rental) fees been entered under expenses (see next screenshot)?

Financial – Accounts Entry – EXPENSES

Lease - Equipment/Plant - Dairy	0	0	969	1,366
Lease - Land & Buildings - Dairy	34,528	33,761	3,146	5,072
Lease - Land (Grazing/Agistment) - Dairy	0	0	8,302	6,181
Lease - Stock - Dairy	0	0	173	746

- ❖ Has all relevant lease (or rental) fees been entered against their relevant asset type including land utilised for the milking cows versus land utilised solely as support (grazing of youngstock and crops)?

Livestock – RECONCILIATION – DAIRY

Only visible if 'Use Stock Reconciliation' is selected in the General screen. There is a separate document that outlines how to use this screen, which is highly recommended to all users.

DAIRY LIVESTOCK RECONCILIATION								
OPENING AGE GROUPS	Opening Numbers	Opening Liveweight	Deaths & Losses	Purchases	Sales	Closing Numbers	Closing Liveweight	CLOSING AGE GROUPS
BREED / TYPE 1								BREED / TYPE 1
NATURAL INCREASE Heifer Calves	336	0.0	11	0	230	95	0.0	Rising 1-Year Heifers
Rising 1-Year Heifers (1-12 months)	94	0.0	2	0	8	84	0.0	Rising 2-Year Heifers
Rising 2-Year Heifers (13-24 mths)	80	0.0						
Mixed Age Cows (25+ mths)	374	0.0	9	0	60	385	0.0	Mixed Age Cows (25+ mths)
BREED / TYPE 2								BREED / TYPE 2
NATURAL INCREASE Heifer Calves	0	0.0	0	0	0	0	0.0	Rising 1-Year Heifers
Rising 1-Year Heifers (1-12 months)	0	0.0	0	0	0	0	0.0	Rising 2-Year Heifers
Rising 2-Year Heifers (13-24 mths)	0	0.0						
Mixed Age Cows (25+ mths)	0	0.0	0	0	0	0	0.0	Mixed Age Cows (25+ mths)
OPENING AGE GROUPS	Opening Numbers	Opening Liveweight	Deaths & Losses	Purchases	Sales	Closing Numbers	Closing Liveweight	CLOSING AGE GROUPS
Breeding Bulls	8	0.0	1	2	0	9	0.0	Breeding Bulls
Other Livestock - Breed/Type 1	0	0.0	0	0	0	0	0.0	Other Livestock - Breed/Type 1
Other Livestock - Breed/Type 2	0	0.0	0	0	0	0	0.0	Other Livestock - Breed/Type 2
TOTAL	556	0	23	2	298	573	0	TOTAL
Change Between Closing and Opening							17	0.0

Red Sky Farm Performance Analysis

- ❖ Are the death rates reasonable given your knowledge of the farm?
- ❖ Are other entries (not visible in screenshot) for sale and purchase values, as well as reproductive rates, reasonable given your knowledge of the farm?

Livestock – Dairy Stock – COWS

	2017/18 Farmer A	2016/17 Farmer A	2017/18 NZ Average	2017/18 NZ Top 10%
MIXED AGE COWS (25+ months) - Breed/Type 1				
Peak Milking Cow Numbers Breed Type 1	447	452	516	545
Number Owned at Start	346	356	445	472
Market Value Per Animal at Start	\$ 1,500	\$ 1,500	\$ 1,620	\$ 1,640
4-Year Rolling Average Value Per Animal at Start	\$ 1,500	\$ 1,500	\$ 1,620	\$ 1,640
Total Market Value at Start	\$ 519,000	\$ 534,000	\$ 721,016	\$ 773,884
Total 4-Year Rolling Average Value at Start	\$ 519,000	\$ 534,000	\$ 721,016	\$ 773,884
Number Owned at End	338	346	452	477
Market Value Per Animal at End	\$ 1,500	\$ 1,500	\$ 1,620	\$ 1,640
4-Year Rolling Average Value Per Animal at End	\$ 1,500	\$ 1,500	\$ 1,620	\$ 1,640
Total Market Value at End	\$ 507,000	\$ 519,000	\$ 732,282	\$ 782,047
Total 4-Year Rolling Average Value at End	\$ 507,000	\$ 519,000	\$ 732,282	\$ 782,047
Change in Total Market Value	(\$ 12,000)	(\$ 15,000)	\$ 11,266	\$ 8,163
Change in Total Closing Value	(\$ 12,000)	(\$ 15,000)	\$ 11,266	\$ 8,163
Change in 4-Year Rolling Average Value	(\$ 12,000)	(\$ 15,000)	\$ 11,266	\$ 8,163
Number Weeks Milking Cows Off Farm	0.0	0.0	0.0	0.0
Number Weeks Dry Cows Off Farm	0.0	0.0	2.9	2.9
Average Number Weeks On Farm	52.0	52.0	49.1	49.1
Default Average Grazing Cost per Cow per Week	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00
Adjustment to Grazing Cost per Cow per Week	\$ 0.00	\$ 0.00	\$ 5.00	\$ 5.00
Actual Average Grazing Cost per Cow per Week	\$ 14.00	\$ 14.00	\$ 19.00	\$ 19.00
Annual Empty Cow Rate	10.0 %	10.0 %	9.9 %	9.7 %
Average Weight of Cows	450	450	483	485

- ❖ If the reconciliation was not utilised, then does it appear there were sufficient R2yr heifers at the start of year (see R2yr heifer screen) to allow for the change in cow numbers between opening and closing, and if not, were there sufficient purchases to make up the difference? If the numbers are not correct, this can have a significant impact on livestock revenue and overall business profitability.
- ❖ Are opening and closing values per head, including changes to these values, reasonable given your knowledge of the market and the farmers cows? ***This should be repeated for all livestock screens.***
- ❖ Is opening value per head for the present year the same as closing value from the previous year? ***This should be repeated for all livestock screens.***
- ❖ Were the cows grazed off the dairy/milking area at any time, either when dry or in milk, and has this been entered correctly?
- ❖ Is the average weight of cow correct, and was it entered correctly in previous years? This weight has a significant impact on pasture harvest and several other ratios.

Livestock – Dairy Stock – (R2yr) HEIFERS

- ❖ If the reconciliation was not utilised, then were there fewer R2yr heifers at the end of year than R1yr heifer numbers at the start of the year (see R1yr heifer screen)? If not, then additional (new) R2yr heifers have appeared from somewhere, either from purchases or from formerly R2yr heifers becoming R3yr heifers (having not calved) ...or there is an error in the numbers. If the numbers are not correct, this can have a significant impact on livestock revenue and overall business profitability.
- ❖ Are opening and closing values per head, including changes to these values, reasonable given your knowledge of the market and the farmers cows? ***This should be repeated for all livestock screens.***
- ❖ Is opening value per head for the present year the same as closing value from the previous year? ***This should be repeated for all livestock screens.***
- ❖ Were the R2yr heifers grazed off the dairy/milking area at any time, and if so, then for how long? Double-check that the entries for "off farm" and "on farm" are not inverted. This time period on or off the farm has a significant impact on pasture harvest and several other ratios.
- ❖ Has the liveweight change while on farm been entered correctly? This would normally be between 4.0 kgs/week (0.57 kg/day) and 5.5 kgs/week (0.79 kg/day).

Red Sky Farm Performance Analysis

Livestock – Dairy Stock – (R2yr) HEIFERS

	2017/18 Farmer A	2016/17 Farmer A	2017/18 NZ Average	2017/18 NZ Top 10%
RISING 2-YEAR & OLDER HEIFERS (13+ months) - Breed/Type 1				
Total Number of Heifers Farmed	130	130	104	135
Number Owned at Start	133	120	100	126
Market Value Per Animal at Start	\$ 1,200	\$ 1,200	\$ 1,380	\$ 1,400
4-Year Rolling Average Value Per Animal at Start	\$ 1,200	\$ 1,200	\$ 1,380	\$ 1,400
Total Market Value at Start	\$ 159,600	\$ 144,000	\$ 138,469	\$ 177,005
Total 4-Year Rolling Average Value at Start	\$ 159,600	\$ 144,000	\$ 138,469	\$ 177,005
Number Owned at End	130	133	103	134
Market Value Per Animal at End	\$ 1,200	\$ 1,200	\$ 1,380	\$ 1,400
4-Year Rolling Average Value Per Animal at End	\$ 1,200	\$ 1,200	\$ 1,380	\$ 1,400
Total Market Value at End	\$ 156,000	\$ 159,600	\$ 142,582	\$ 188,155
Total 4-Year Rolling Average Value at End	\$ 156,000	\$ 159,600	\$ 142,582	\$ 188,155
Change in Total Market Value	(\$ 3,600)	\$ 15,600	\$ 4,113	\$ 11,150
Change in Total Closing Value	(\$ 3,600)	\$ 15,600	\$ 4,113	\$ 11,150
Change in 4-Year Rolling Average Value	(\$ 3,600)	\$ 15,600	\$ 4,113	\$ 11,150
Average Number Weeks Off Farm	42.0	44.0	45.4	44.1
Average Number Weeks On Farm	10.0	8.0	6.6	7.9
Liveweight Change While On Farm	50.0	40.0	36.9	39.1
Annual Pregnancy Rate	95.0 %	95.0 %	94.8 %	95.2 %

Livestock – Dairy Stock – (R1yr) HEIFER CALVES

	2017/18 Farmer A	2016/17 Farmer A	2017/18 NZ Average	2017/18 NZ Top 10%
RISING 1-YEAR HEIFERS (1-12 months) - Breed/Type 1				
Total Number of Yearlings Farmed	125	136	111	136
Number Owned at Start	134	144	106	130
Market Value Per Animal at Start	\$ 750	\$ 750	\$ 790	\$ 780
4-Year Rolling Average Value Per Animal at Start	\$ 750	\$ 750	\$ 790	\$ 780
Total Market Value at Start	\$ 100,500	\$ 108,000	\$ 83,977	\$ 101,723
Total 4-Year Rolling Average Value at Start	\$ 100,500	\$ 108,000	\$ 83,977	\$ 101,723
Number Owned at End	122	134	112	137
Market Value Per Animal at End	\$ 750	\$ 750	\$ 790	\$ 780
4-Year Rolling Average Value Per Animal at End	\$ 750	\$ 750	\$ 790	\$ 780
Total Market Value at End	\$ 91,500	\$ 100,500	\$ 88,687	\$ 107,159
Total 4-Year Rolling Average Value at End	\$ 91,500	\$ 100,500	\$ 88,687	\$ 107,159
Change in Total Market Value	(\$ 9,000)	(\$ 7,500)	\$ 4,709	\$ 5,436
Change in Total Closing Value	(\$ 9,000)	(\$ 7,500)	\$ 4,709	\$ 5,436
Change in 4-Year Rolling Average Value	(\$ 9,000)	(\$ 7,500)	\$ 4,709	\$ 5,436
Average Number Weeks Off Farm	42.0	34.0	33.1	33.7
Average Number Weeks On Farm	10.0	18.0	18.9	18.3
Liveweight Change While On Farm (excluding birth weight)	50.0	90.0	92.4	95.2

- ❖ Are opening and closing values per head, including changes to these values, reasonable given your knowledge of the market and the farmers cows? ***This should be repeated for all livestock screens.***
- ❖ Is opening value per head for the present year the same as closing value from the previous year? ***This should be repeated for all livestock screens.***
- ❖ Were the R1yr heifers grazed off the dairy/milking area at any time, and if so, then for how long? Double-check that the entries for "off farm" and "on farm" are not inverted. This time period on or off the farm has a significant impact on pasture harvest and several other ratios.
- ❖ Has the liveweight change while on farm been entered correctly? This would normally be between 4.0 kgs/week (0.57 kg/day) and 5.5 kgs/week (0.79 kg/day)?

Livestock – Production & Pricing – DAIRY

Actual Final Milksolids Price	\$ 6.67	\$ 6.03	\$ 6.70	\$ 6.70
Calculated Milk Revenue	\$ 1,337,743	\$ 1,205,271	\$ 1,399,655	\$ 1,674,291
Actual Milk Revenue	\$ 1,337,743	\$ 1,205,271	\$ 1,399,655	\$ 1,674,291

- ❖ Is the 'calculated milk revenue' reconciled with the 'actual milk revenue'? It is the 'calculated milk revenue' that is used in the reports so any variance would normally be related to revenue being accrued (i.e. some of the calculated revenue being received after the end of the financial year).

Red Sky Farm Performance Analysis

Feed – Dairy – CONCENTRATES

	2017/18 Farmer A	2016/17 Farmer A	2017/18 NZ Average	2017/18 NZ Top 10%
Grains, Pellets & Concentrates				
Opening Stock on Hand tAF = t As Fed	22.4	23.8	7.7	8.8
Opening Market Value \$/tAF = \$/t As Fed	\$ 426	\$ 398	\$ 291	\$ 268
Total Value at Start	\$ 9,542	\$ 9,472	\$ 2,241	\$ 2,358
Quantity of Feed Produced on Home Area (tAF)	0.0	0.0	0.0	0.0
Cost of Home Grown Feed (\$/tAF)	\$ 0	\$ 0	\$ 0	\$ 0
Total Value of Home Grown Feed	\$ 0	\$ 0	\$ 0	\$ 0
Home Hectares Removed for Crop	0.0	0.0	0.0	0.0
Yield of Home Grown Crop per Hectare (tDM)	0.0	0.0	0.0	0.0
Average Number of Months Home Area Removed for Crop	8.0	8.0	6.1	6.1
Quantity of Feed Produced on Outside Owned/Leased/Rented Area (tAF)	0.0	0.0	0.0	0.0
Cost of Feed Grown on Outside Owned/Leased/Rented Area (\$/tAF)	\$ 0	\$ 0	\$ 0	\$ 0
Total Value of Feed Grown on Outside Owned/Leased/Rented Area	\$ 0	\$ 0	\$ 0	\$ 0
Outside Owned/Leased/Rented Hectares Removed for Crop	0.0	0.0	0.0	0.0
Yield of Support Area Crop per Hectare (tDM)	0.0	0.0	0.0	0.0
Average Number of Months Outside Owned/Leased/Rented Area Removed for Crop	8.0	8.0	6.1	6.1
Quantity of Feed Purchased off Farm (tAF)	435.4	297.0	360.3	405.9
Cost of Purchased Feed (\$/tAF)	\$ 432	\$ 425	\$ 326	\$ 304
Total Value of Purchased Feed	\$ 187,879	\$ 126,297	\$ 117,458	\$ 123,394
Calculated Value of Annual Feed Costs	\$ 187,879	\$ 126,297	\$ 117,458	\$ 123,394
Actual Value of Annual Feed Costs (excluding Milk Powder)	\$ 187,879	\$ 126,297	\$ 117,458	\$ 123,394
Closing Stock on Hand (tAF)	19.8	22.4	8.5	9.2
Closing Market Value (\$/tAF)	\$ 433	\$ 426	\$ 326	\$ 303
Total Value at End	\$ 8,573	\$ 9,542	\$ 2,771	\$ 2,788
Quantity of Feed Sold From or Consumed Off Home Area (tAF)	15.6	17.9	7.9	6.1
Cost of Feed Sold From or Consumed Off Home Area (\$/tAF)	\$ 432	\$ 428	\$ 298	\$ 305
Total Value of Feed Consumed Off Home Area	\$ 6,739	\$ 7,661	\$ 2,343	\$ 1,855
Average Time in Months Between Purchase Date and Feeding Date	0.5	0.5	0.3	0.3
Total Feed Used During Year (tAF)	422.4	280.5	351.6	399.4
Average Cost of Used Feed (\$/tAF)	\$ 433	\$ 425	\$ 326	\$ 304
Total Value of Used Feed	\$ 182,892	\$ 119,191	\$ 114,653	\$ 121,417
Average Dry Matter Percentage	90.0 %	90.0 %	91.8 %	92.0 %
Average Energy Density (MJ ME/kgDM)	12.0	12.0	12.0	12.0
Percentage Wastage	2.0 %	2.0 %	4.8 %	4.7 %
Total Feed Consumed During Year (tAF)	414.0	274.8	334.8	380.6
Increase/(Decrease) in Value of Feed on Hand	(\$ 969)	\$ 70	\$ 530	\$ 429

- ❖ Is opening stock on hand and opening value per tonne for the present year the same as closing stock on hand and closing value per tonne from the previous year? ***This should be repeated for all feed/supplement screens.***
- ❖ Are opening and closing values per tonne, including differences in these values, reasonable given your knowledge of the market and the purchases made by the farmer? ***This should be repeated for all feed/supplement screens.***
- ❖ Is the quantity of concentrate consumed off the dairy area (or sold) appear reasonable given your understanding of the farmers production system? ***This should be repeated for all feed/supplement screens.***
- ❖ Is the total amount of feed used during the year and/or the total amount of feed consumed during the year appear reasonable given your understanding of the farmers production system? ***This should be repeated for all feed/supplement screens.***
- ❖ Is the average energy density of the feed and percentage wastage (and dry matter percent) appear reasonable given your understanding of the farmers production system? ***This should be repeated for all feed/supplement screens.***

Red Sky Farm Performance Analysis

Feed – Dairy – MAIZE SILAGE

	2017/18 Farmer A	2016/17 Farmer A	2017/18 NZ Average	2017/18 NZ Top 10%
Maize / Corn Silage				
Opening Stock on Hand (tDM)	300.0	290.0	107.1	124.9
Opening Market Value (\$/tDM)	\$ 303	\$ 290	\$ 221	\$ 215
Total Value at Start	\$ 90,900	\$ 84,100	\$ 23,669	\$ 26,854
Quantity of Feed Produced on Home Area (tDM)	0.0	0.0	36.2	78.7
Cost of Home Grown Feed (\$/tDM)	\$ 0	\$ 0	\$ 143	\$ 136
Total Value of Home Grown Feed	\$ 0	\$ 0	\$ 5,182	\$ 10,698
Home Hectares Removed for Crop	0.0	0.0	2.2	3.8
Yield of Home Grown Crop per Hectare (tDM)	0.0	0.0	16.4	20.4
Average Number of Months Home Area Removed for Crop	8.0	8.0	8.2	8.1
Quantity of Feed Produced on Outside Owned/Leased/Rented Area (tDM)	0.0	0.0	61.8	111.3
Cost of Feed Grown on Outside Owned/Leased/Rented Area (\$/tDM)	\$ 0	\$ 0	\$ 160	\$ 154
Total Value of Feed Grown on Outside Owned/Leased/Rented Area	\$ 0	\$ 0	\$ 9,884	\$ 17,134
Outside Owned/Leased/Rented Hectares Removed for Crop	0.0	0.0	3.4	4.8
Yield of Support Area Crop per Hectare (tDM)	0.0	0.0	18.3	23.1
Average Number of Months Outside Owned/Leased/Rented Area Removed for Crop	8.0	8.0	7.8	7.9
Quantity of Feed Purchased off Farm (tDM)	398.5	416.0	104.6	123.5
Cost of Purchased Feed (\$/tDM)	\$ 337	\$ 303	\$ 341	\$ 330
Total Value of Purchased Feed	\$ 134,121	\$ 126,224	\$ 35,669	\$ 40,755
Calculated Value of Annual Feed Costs	\$ 134,121	\$ 126,224	\$ 50,734	\$ 68,587
Actual Value of Annual Feed Costs	\$ 134,121	\$ 126,224	\$ 50,734	\$ 68,587
Closing Stock on Hand (tDM)	370.0	300.0	110.2	127.2
Closing Market Value (\$/tDM)	\$ 337	\$ 303	\$ 253	\$ 241
Total Value at End	\$ 124,690	\$ 90,900	\$ 27,881	\$ 30,655
Quantity of Feed Sold From or Consumed Off Home Area (tDM)	0.0	0.0	9.1	18.5
Cost of Feed Sold From or Consumed Off Home Area (\$/tDM)	\$ 0	\$ 0	\$ 169	\$ 161
Total Value of Feed Consumed Off Home Area	\$ 0	\$ 0	\$ 1,543	\$ 2,971
Average Time in Months Between Purchase Date and Feeding Date	3.0	3.0	3.3	3.6
Total Feed Used During Year (tDM)	328.5	406.0	190.4	292.7
Average Cost of Used Feed (\$/tDM)	\$ 330	\$ 305	\$ 275	\$ 255
Total Value of Used Feed	\$ 108,398	\$ 123,886	\$ 52,366	\$ 74,741
Average Energy Density (MJ ME/kgDM)	10.5	10.5	10.6	10.5
Percentage Wastage	17.5 %	17.5 %	16.5 %	16.1 %
Total Feed Consumed During Year (tDM)	271.0	335.0	159.0	245.6
Increase/(Decrease) in Value of Feed on Hand	\$ 33,790	\$ 6,800	\$ 4,212	\$ 3,802

- ❖ Is opening stock on hand and opening value per tonne for the present year the same as closing stock on hand and closing value per tonne from the previous year? **This should be repeated for all feed/supplement screens.**
- ❖ Are opening and closing values per tonne, including differences in these values, reasonable given your knowledge of the market and the purchases made by the farmer? **This should be repeated for all feed/supplement screens.**
- ❖ Are any crop yields realistic? **This should be repeated for all feed/supplement screens.**
- ❖ Is the quantity of maize silage consumed off the dairy area (or sold) appear reasonable given your understanding of the farmers production system? **This should be repeated for all feed/supplement screens.**
- ❖ Is the total amount of feed used during the year and/or the total amount of feed consumed during the year appear reasonable given your understanding of the farmers production system? **This should be repeated for all feed/supplement screens.**
- ❖ Is the average energy density of the feed and percentage wastage (and dry matter percent) appear reasonable given your understanding of the farmers production system? **This should be repeated for all feed/supplement screens.**

Feed – Calc Dairy – CONSUMPTION

- ❖ Is pasture harvest reasonable given your knowledge of the farm?
- ❖ Is the percentage of pasture versus forage versus concentrate reasonable given your knowledge of the farm and compared to previous year's performance?

Red Sky Farm Performance Analysis

Feed – Calc Dairy – CONSUMPTION

	2017/18 Farmer A	2016/17 Farmer A	2017/18 NZ Average	2017/18 NZ Top 10%
PASTURE & SUPPLEMENTS CONSUMPTION				
Pasture Dry Matter Harvested per Hectare (tDM)	12.70	13.40	11.33	13.44
Adjustment to Pasture Dry Matter Harvested per Hectare (tDM)	0.00	0.00	0.00	0.00
Net Area for Pasture Harvest Calculation (Ha)	137.8	137.8	169.3	158.6
Pasture Megajoules Metabolisable Energy per kilogram Dry Matter	11.0	11.0	11.0	11.0
Estimated Percent Utilisation of Pasture	75.0 %	75.0 %	75.0 %	80.0 %
Estimated Pasture DM Grown per Hectare (tDM)	16.93	17.87	15.11	16.80
Mixed Age Cows				
Pasture as % of Total Consumed	71.9 %	75.0 %	70.9 %	68.6 %
Supplement as % of Total Consumed	28.1 %	25.0 %	29.1 %	31.4 %
Forage Supplement as % of Total Consumed	10.7 %	13.9 %	16.5 %	18.8 %
Concentrate Supplement as % of Total Consumed	17.4 %	11.1 %	12.7 %	12.6 %

Land & Adjustments – Land Details – PHYSICAL

Change in Pasture Cover over Year - Dairy (kgsDM/Ha)	0	0	0	0
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- ❖ Does any change in pasture cover compared to the previous year appear reasonable?

Land & Adjustments – Land Details – IRRIGATION

	2017/18 Farmer A	2016/17 Farmer A	2017/18 KZN Average	2017/18 KZN Top 10%
DAIRY IRRIGATION WATER USE				
Irrigation - Dairy (incl. Dairy Young)	3=41-70%	3=41-70%	4=71-100%	4=71-100%
Effective Hectares Irrigated - Dairy	120.9	120.0	191.7	270.9
Percentage of Effective Hectares Irrigated	49.6 %	49.2 %	87.6 %	81.4 %
Percentage Increase in Pasture Production on Irrigation versus Dryland - Dairy	70.0 %	70.0 %	100.0 %	100.0 %
Estimated Dryland Pasture Dry Matter Harvested per Hectare (tDM/Ha)	9.56	7.21	6.18	8.05
Estimated Irrigated Pasture Dry Matter Harvested per Hectare (tDM/Ha)	16.25	12.25	12.35	16.10
Estimated Irrigated Perennial Pasture Dry Matter Harvested per Hectare (tDM/Ha)	16.25	12.25	12.35	16.10
Annual Megalitres Applied (100mm=1 ML/Ha) - Dairy	407.9	407.9	548.2	982.5
Total Useful Rainfall (mm) - Dairy	550	550	550	550
Predominant Type of Irrigation - Dairy	2=Spray	2=Spray	2=Spray	2=Spray

- ❖ Is the percentage of effective hectares irrigated sensible and is it no greater than 100%?
- ❖ Is the percentage increase in pasture production on irrigated versus dryland pasture reasonable given your knowledge of the farm?
- ❖ Has the amount of irrigation water applied been entered correctly in total megalitres (not per hectare), and is this reasonable given it will most often equate to 3-7 ML/ha = 300-700mm?
- ❖ Has total useful rainfall been entered correctly? This will most often be 250-650mm.

Reports – SUMMARY – DAIRY

Complete a general review of the Summary report looking for anomalies including major changes in business performance compared to previous years. Most often errors are likely to be identified in the profit per cow and per hectare reports.

Reports – PHYSICAL – DAIRY

Complete a general review of the Physical report looking for anomalies including major changes in farm, cow and feeding performance compared to previous years. In particular review the top section under "Pasture & Supplements" (see screenshot below) including:

- ❖ Is the split between dryland and irrigated pasture harvest per hectare reasonable?
- ❖ Is the percentage of pasture versus forage versus concentrate reasonable given your knowledge of the farm and compared to previous year's performance?
- ❖ Is the dry matter intake of the cows, in particular the split between pasture versus forage versus concentrate reasonable given your knowledge of the farm?

Red Sky Farm Performance Analysis

Reports – PHYSICAL – DAIRY

PASTURE & SUPPLEMENTS				
Pasture Dry Matter Harvested (tDM/Ha)	12.70	13.40	11.33	13.44
Estimated Dryland Pasture Harvest (tDM/Ha)	12.70	13.40	11.30	13.38
Estimated Irrigated Pasture Harvest (tDM/Ha)	0.00	0.00	11.86	14.05
Percentage Hectares Irrigated	0.0 %	0.0 %	5.9 %	8.5 %
Nitrogen Applied per Hectare	152.0	146.0	150.8	196.6
Total Grazed & Conserved Pasture (tDM/Ha)	12.70	13.40	11.33	13.44
Grazed Pasture (tDM/Ha)	12.70	13.40	11.09	13.05
Conserved Pasture (tDM/Ha)	0.00	0.00	0.24	0.39
Pasture as % of Total Consumed	71.9 %	75.0 %	70.9 %	68.6 %
Supplement as % of Total Consumed	28.1 %	25.0 %	29.1 %	31.4 %
- Forage as % of Total Consumed	10.7 %	13.9 %	16.5 %	18.8 %
- Concentrate as % of Total Consumed	17.4 %	11.1 %	12.7 %	12.6 %
Pasture Consumed Per Cow (estimated tDM)	3.70	3.84	3.52	3.68
Forage Consumed Per Cow (estimated tDM)	0.64	0.82	0.95	1.17
- Homegrown Forage Consumed (est tDM/cow)	0.00	0.00	0.24	0.42
- Imported Forage Consumed (est tDM/cow)	0.64	0.82	0.71	0.75
Concentrate Consumed Per Cow (estimated tAF)	0.88	0.56	0.62	0.66
Total Consumed Per Cow (estimated tDM)	5.13	5.16	5.03	5.45

Reports – PROFIT PER COW – DAIRY

Potentially the most important focus of the audit should be the profit per cow and profit per hectare reports as these can highlight where revenue or expenses are likely to be either incorrect, allocated to the wrong code, or requiring capitalisation.

	2017/18 Farmer A	2016/17 Farmer A	2017/18 NZ Average	2017/18 NZ Top 10%
REVENUE	\$ -	\$ -	\$ -	\$ -
Manufacturing Milk Sales	2,993	2,667	2,713	3,072
Quota/Contract/Dividends for Milk	105	147	41	47
Livestock Revenue	152	207	215	245
Other Revenue	23	18	22	14
Gross Revenue	3,273	3,038	2,991	3,377
EXPENSES	\$ -	\$ -	\$ -	\$ -
Administration (incl. professional fees)	57	43	35	30
Animal Health	164	173	96	89
Breeding & Herd Testing	64	51	50	48
Dairy Shed Expenses	34	19	24	23
Electricity	46	32	40	37
Feeds / Supplements (Total)	846	758	764	741
- Grazing / Support Area	199	209	250	196
- Cropping (green feed)	0	0	16	15
- Grains, Pellets & Concentrates	422	279	229	228
- Forages (incl. hay, silages, byproducts)	224	270	268	301
Fertiliser (Total)	106	132	153	156
- Nitrogen	53	49	61	67
- Phosphate & All Other Fertiliser	53	83	92	90
Freight	10	2	15	13
Irrigation	0	0	15	18
Pasture Maintenance & Renovation	28	24	36	29
Rates, Licenses, Levies & Insurance	83	79	75	72
Repairs & Maintenance	110	146	101	90
Vehicle Expenses (including fuel & oil)	67	76	71	67
Management & Staff Expenses	297	282	410	348
- Wages, Salaries & Employment Exp.	281	266	279	221
- Imputed Labour & Management	16	16	131	127
Depreciation	87	88	143	112
Gross Expenses	1,998	1,904	2,026	1,873

The tables above and below highlight the ratios in the profit per cow report that should be carefully reviewed and the ranges within which they should reasonably sit. The most important of these ratios and the ones most commonly incorrect are further highlighted in yellow below.

Red Sky Farm Performance Analysis

PER COW - New Zealand	Benchmark	Maximum	Minimum
Revenue per Cow	\$ -	\$ -	\$ -
Livestock Revenue	210	320	80
Other Revenue	15	50	0
Expenses per Cow	\$ -	\$ -	\$ -
Animal Health	100	180	40
Breeding & Herd Testing	60	110	20
Dairy Shed Expenses	25	50	15
Electricity	45	70	30
Grazing / Support Area	215	500	100
Freight	10	40	0
Repairs & Maintenance	130	220	70
Vehicle Expenses (including fuel & oil)	80	130	40
Management & Staff Expenses	425	600	280
Depreciation	160	250	80

The following notes outline the most common reasons for the numbers in the table above being incorrect and outside the maximum and minimum range stated:

- ❖ **Livestock revenue** – opening and closing numbers are often provided by the farmer incorrectly, including numbers being identified in the wrong category (age group). ***Using the livestock reconciliation is highly recommended.*** For numbers to be above the maximum then large numbers of sales would need to be at very high values per head (i.e. dispersal sale of registered herd). For numbers to be below the minimum then large numbers of replacement heifers would need to have been purchased rather than 'home grown'.
- ❖ **Other revenue** – the inclusion of non-dairy revenue is the main reason why this would be overstated.
- ❖ **Animal health** – the inclusion of breeding expenses, in particular related to veterinary costs/purchases, are the main reason why this would be overstated.
- ❖ **Breeding & herd testing** – the inclusion of breeding expenses under animal health, in particular related to veterinary costs/purchases, are the main reason why this would be understated.
- ❖ **Electricity** – the inclusion of irrigation electricity or non-dairy electricity are the main reason why this would be overstated.
- ❖ **Grazing/Support Area** – there are three main reasons for why this would be over or understated:
 - a) The high value of owned land can result in a high imputed lease cost for owned grazing/support land which can result in this expense being overstated. This can be adjusted in the Land & Adjustments/Dairy Adjustments/Other-Support Adjustments screen.
 - b) Over or understated real lease costs, including land lease costs not correctly being split between dairy/milking area and support area, can result in this grazing/support area expense being over or understated.
 - c) The reallocation of costs from the dairy farm to grazing/support area under the Land & Adjustments-Dairy Adjustments-Other/Support Adjustments screen is incomplete or unsound.
- ❖ **Freight** – the inclusion of non-livestock freight is the main reason why this would be overstated.
- ❖ **Repairs & maintenance** – there are five main reasons for why this would be over or understated:
 - a) Expenses that are of a capital nature (i.e. have a multi-year impact) are included and have not been capitalised, resulting in an overstatement of the costs.
 - b) Expenses have not been incurred to maintain the assets of the business (e.g. due to financial pressure), resulting in an understatement of the costs.
 - c) Vehicle expenses are included here rather than under 'vehicle Expenses'.
 - d) Capitalisation of expenses have either been overdone or underdone, including flowing from previous years, resulting in an overstatement or understatement of the costs.
 - e) The reallocation of costs from the dairy farm to grazing/support area under the Land & Adjustments-Dairy Adjustments-Other/Support Adjustments screen is incomplete or unsound.

Red Sky Farm Performance Analysis

- ❖ **Vehicle expenses** – there are two main reasons for why this would be over or understated:
 - a) Vehicle expenses are included under 'repairs and maintenance' rather than here, resulting in an understatement of the costs.
 - b) Expenses that are of a capital nature (i.e. have a multi-year impact such as a full engine rebuild) are included and have not been capitalised, resulting in an overstatement of the costs.
 - c) The reallocation of costs from the dairy farm to grazing/support area under the Land & Adjustments-Dairy Adjustments-Other/Support Adjustments screen is incomplete or unsound.
- ❖ **Management & staff expenses** – the exclusion of imputed owner/operator time and their extended family is the main reason why this would be understated.
- ❖ **Depreciation** – there are three main reasons for why this would be over or understated:
 - a) Depreciation expenses have been omitted due to depreciable assets being held under related entities without depreciation on these assets being provided by the farmer.
 - b) Accelerated depreciation expenses are included and have not been re-spread over multiple years, resulting in an overstatement of the costs.
 - c) Capitalisation of expenses have either been overdone or underdone, including flowing from previous years, resulting in an overstatement or understatement of the costs.

Reports – PROFIT PER HECTARE – DAIRY

Potentially the most important focus of the audit should be the profit per cow and profit per hectare reports as these can highlight where revenue or expenses are likely to be either incorrect, allocated to the wrong code, or requiring capitalisation.

	2017/18 Farmer A	2016/17 Farmer A	2017/18 NZ Average	2017/18 NZ Top 10%
REVENUE	\$ -	\$ -	\$ -	\$ -
Manufacturing Milk Sales	9,921	8,964	8,318	10,593
Quota/Contract/Dividends for Milk	348	493	126	161
Livestock Revenue	504	696	659	844
Other Revenue	77	61	68	47
Gross Revenue	10,850	10,214	9,171	11,644
EXPENSES	\$ -	\$ -	\$ -	\$ -
Administration (incl. professional fees)	188	144	107	103
Animal Health	542	582	295	306
Breeding & Herd Testing	212	170	152	167
Dairy Shed Expenses	113	62	73	79
Electricity	151	109	122	127
Feeds / Supplements (Total)	2,803	2,549	2,342	2,555
- Grazing / Support Area	659	704	768	676
- Cropping (green feed)	0	0	50	52
- Grains, Pellets & Concentrates	1,401	939	702	787
- Forages (incl. hay, silages, byproducts)	744	906	823	1,040
Fertiliser (Total)	351	443	469	540
- Nitrogen	175	165	188	231
- Phosphate & All Other Fertiliser	176	278	281	309
Freight	34	5	46	45
Irrigation	0	0	45	62
Pasture Maintenance & Renovation	93	80	111	99
Rates, Licenses, Levies & Insurance	276	267	230	248
Repairs & Maintenance	365	491	309	310
Vehicle Expenses (including fuel & oil)	221	254	217	230
Management & Staff Expenses	985	948	1,258	1,199
- Wages, Salaries & Employment Exp.	931	893	856	761
- Imputed Labour & Management	54	55	402	438
Depreciation	287	296	439	386
Gross Expenses	6,622	6,401	6,214	6,458

The tables above and below highlight the ratios in the profit per hectare report that should be carefully reviewed and the ranges within which they should reasonably sit. The most important of these ratios and the ones most commonly incorrect are further highlighted in yellow below.

Red Sky Farm Performance Analysis

PER HECTARE - New Zealand	Benchmark	Maximum	Minimum
Expenses per Hectare	\$ -	\$ -	\$ -
Administration (incl. professional fees)	140	240	70
Cropping (green feed)	45	90	0
Nitrogen	235	350	60
Phosphate & All Other Fertiliser	335	540	180
Irrigation	90	540	0
Pasture Maintenance & Renovation	135	240	60
Rates, Licenses, Levies & Insurance	250	350	150
Repairs & Maintenance	395	600	200
Depreciation	485	800	200

The following notes outline the most common reasons for the numbers in the table below being incorrect and outside the maximum and minimum range stated:

- ❖ **Administration** – the inclusion of non-dairy costs or ‘corporate’ costs like directors’ fees, valuation costs or audit expenses, is the main reason why this would be overstated.
- ❖ **Cropping (green feed)** – there are three main reasons for why this would be over or understated:
 - a) The inclusion of forage supplements here,
 - b) The inclusion of green feed cropping expenses under forage supplements, are the main reasons why this would be over or understated.
 - c) The reallocation of costs from the dairy farm to grazing/support area under the Land & Adjustments-Dairy Adjustments-Other/Support Adjustments screen is incomplete or unsound.
- ❖ **Nitrogen** – there are three main reasons for why this would be over or understated:
 - a) The inclusion of nitrogen here that was applied for the growing of forage supplements or green feed crops is the main reason why this would be overstated.
 - b) The inclusion of nitrogen that was applied as part of an incorporated mixed fertiliser under ‘Phosphate & all other (non-N) fertiliser’ is the main reason why this would be understated.
 - c) The reallocation of costs from the dairy farm to grazing/support area under the Land & Adjustments-Dairy Adjustments-Other/Support Adjustments screen is incomplete or unsound.
- ❖ **Phosphate & all other (non-N) fertiliser** – there are three main reasons for why this would be over or understated:
 - a) The inclusion of fertiliser here that was applied for the growing of forage supplements or green feed crops.
 - b) The inclusion of nitrogen that was applied to pasture are the main reasons why this would be overstated.
 - c) The reallocation of costs from the dairy farm to grazing/support area under the Land & Adjustments-Dairy Adjustments-Other/Support Adjustments screen is incomplete or unsound.
- ❖ **Irrigation** – there are four main reasons for why this would be over or understated:
 - a) Electricity costs for irrigation have been included under general farm (dairy) electricity, resulting in an understatement of the costs.
 - b) Repairs and maintenance costs for irrigation have been included under general (farm) repairs and maintenance, resulting in an understatement of the costs.
 - c) Fuel costs such as diesel for a generator that powers an irrigator have been included under ‘vehicle expenses (including fuel)’, resulting in an understatement of the costs.
 - d) Capitalisation of irrigation expenses have either been overdone or underdone, including flowing from previous years, resulting in an overstatement or understatement of the costs.
- ❖ **Pasture maintenance & renovation** – there are two main reasons for why this would be over or understated:
 - a) Pasture costs such as seed or sprays have been included under forage supplements or green feed crops, resulting in an understatement of these costs.

Red Sky Farm Performance Analysis

- b) The reallocation of costs from the dairy farm to grazing/support area under the Land & Adjustments-Dairy Adjustments-Other/Support Adjustments screen is incomplete or unsound.
- ❖ **Rates, licenses, levies & insurance** – there are two main reasons for why this would be over or understated:
 - a) Rates, licenses and/or insurance costs have not been separated from administration expenses and not entered under expenses against their own code, resulting in an understatement of these costs.
 - b) Milk price has been entered as net of industry levies and no milk industry levies entered as an expense, resulting in an understatement of the costs.
- ❖ **Repairs & maintenance** – there are five main reasons for why this would be over or understated:
 - a) Expenses that are of a capital nature (i.e. have a multi-year impact) are included and have not been capitalised, resulting in an overstatement of the costs.
 - b) Expenses have not been incurred to maintain the assets of the business (e.g. due to financial pressure), resulting in an understatement of the costs.
 - c) Vehicle expenses are included here rather than under 'vehicle Expenses'.
 - d) Capitalisation of expenses have either been overdone or underdone, including flowing from previous years, resulting in an overstatement or understatement of the costs.
 - e) The reallocation of costs from the dairy farm to grazing/support area under the Land & Adjustments-Dairy Adjustments-Other/Support Adjustments screen is incomplete or unsound.
- ❖ **Depreciation** – there are three main reasons for why this would be over or understated:
 - a) Depreciation expenses have been omitted due to depreciable assets being held under related entities without depreciation on these assets being provided by the farmer.
 - b) Accelerated depreciation expenses are included and have not been re-spread over multiple years, resulting in an overstatement of the costs.
 - c) Capitalisation of expenses have either been overdone or underdone, including flowing from previous years, resulting in an overstatement or understatement of the costs.