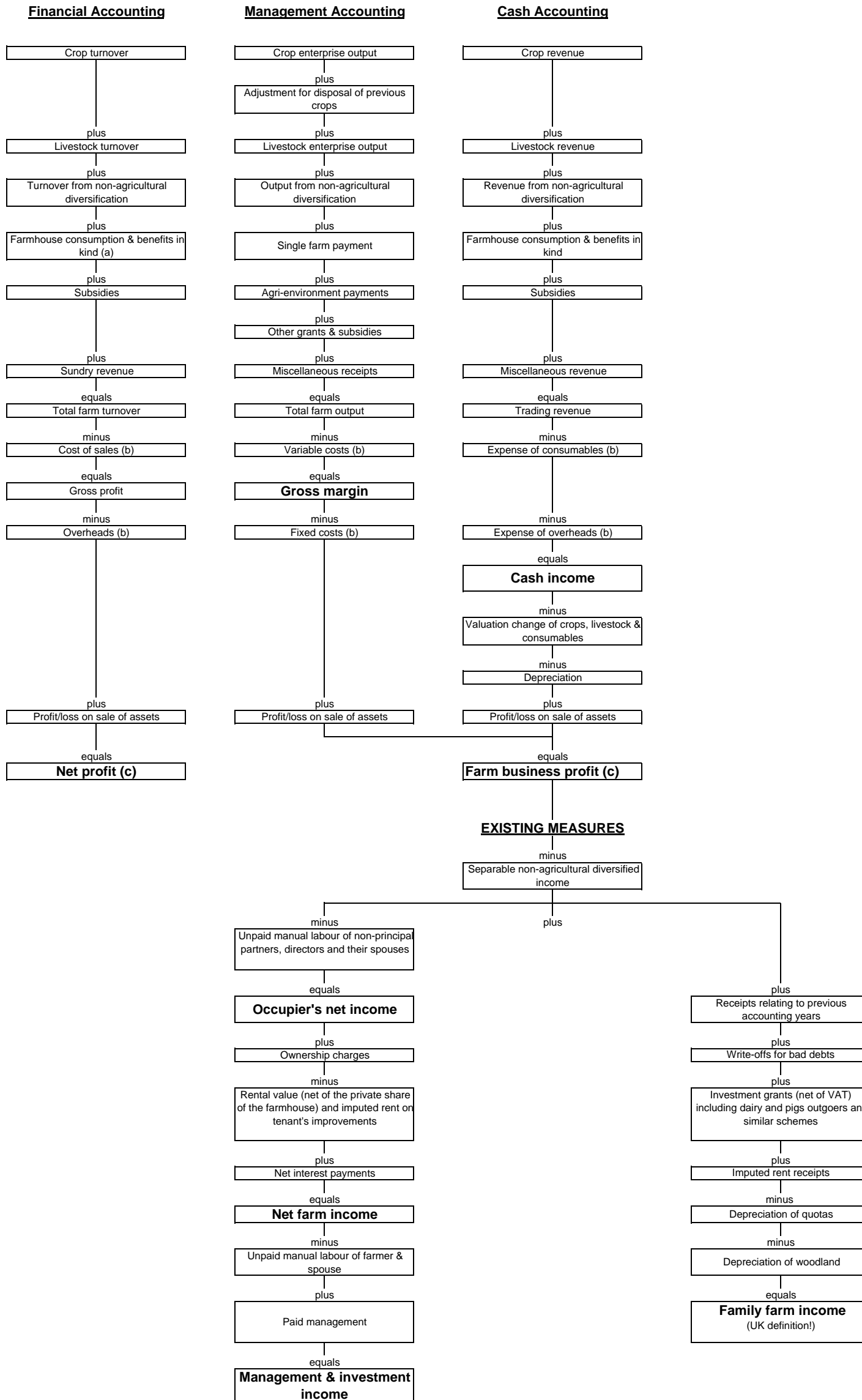


ANNEX 1: FLOW CHART OF INCOME MEASURES



(a) In principle in financial accounts farmhouse consumption and benefits in kind are included in total turnover and benefits in kind are included in labour costs; in practice they may be excluded as not material.

(b) Including those from non-agricultural diversification.

(c) Although Net Profit is equivalent to Farm Business Profit, in practice they are likely to differ because Net Profit is derived from financial accounting principles and Farm Business Profit is derived from management accounting principles. For example in financial accounting output stocks are usually valued at cost of production, whereas in management accounting they are usually valued at market price. In financial accounting depreciation is usually calculated at historic cost whereas in management accounting it is often calculated at replacement cost.

Notes on accounting terminology

1. **Turnover = Sales revenue** = the value of goods for which sales are agreed or delivered in the accounting period whether for cash or on credit.
2. **Receipts** are monies received during the accounting period for the sale of goods, provision of services and from grants and subsidies - cash accounting term.
3. **Revenue** is a Receipt of any period that relates to the accounting period i.e. Receipts plus Closing debtors minus Opening debtors. It is an accruals accounting term.
4. **Purchases** are the value of goods and services bought for cash or on credit (equivalent to Sales).
5. **Payments** are monies paid during the accounting period - cash accounting term.
6. **Expenses** are Payments of any period that relate to the accounting period i.e. Expenses plus Closing creditors minus Opening creditors. It is an accruals accounting term.
7. **Cost of sales** is the cost of producing the goods that have been sold in the accounting period. It is the Expense of materials plus the Closing value of stocks of materials and produce
8. **Overheads** are Expenses that cannot readily be traced to processes that produce particular single products.