

Facultative variable and fixed factors

Current assets

Form. 1

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Capital requirements for current assets

Currents assets (seeds, fertilizers and chemicals, operating materials, etc.) are used during the production period at various points of time and, therefore, have different periods of use.

Currents assets do not have to be depreciated, as they are only temporarily used during one production period and are not used up, since the used capital returns back in full after the application or use of the products (usually in the same production period).

In practical calculations the average capital requirements for current assets used for crop production are usually assumed to be 50% for spring crops and 60% for winter crops of the proportional variable special costs (materials and services).

In the sample calculation the capital requirements for current assets in Example 2 increase according to the increased level of inputs.

Form. 2

15-16

Costs for current assets

Costs for capital invested in current assets are incurred either in form of interest payments or in form of opportunity costs.

Unspecified these costs can be allocated to the same cost position "imputed costs for capital".

The imputed costs include:

- Costs for the use of own capital (opportunity costs) = imputed costs
- Costs for the use of borrowed capital = interest payments

The input of borrowed capital is shown in form of an effective yield of the loan contract. The opportunity costs of own capital are based on the possible interest payment of the capital when used alternatively (also within the farm). Mostly an interest paid for a short-term to medium term financial investment by a bank is taken as a reference point.

The costs (expressed in an adequate target rate) can be determined precisely by the level of the farm, since they are influenced by the total capital requirements of the farm.

In case the imputed costs for capital are already estimated in a calculation of the gross margin, it should be taken into account that these imputed costs for capital must be added back to the gross margin for the calculation of efficiency indicators of the whole farm, because e.g. value added contains the total capital return and the profit contains the return of own capital.

The example calculation represents a gross margin calculation applied in practice.

Therefore, the capital requirements for current assets are accounted for but are not taken into account as a costs factor (compare chapter 5.1).

In the example calculation the following adequate target rates, differentiated according to