

Fixed assets

Form. 2

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Requirements for fixed assets

Requirements for fixed assets are incurred in crop production by the machinery and buildings (barn, store, workshop) of the farm.

In the calculation example the use of the machinery was differentiated according to specific working practices. By this way it is possible, to determine the proportionate requirement for average capital invested in the fixed costs per 1 ha of wheat and at the same time to determine the proportionate fixed costs.

In practice usually standard figures from the tables (KTBL) are used instead of complicated calculations.

In the example calculation the average capital invested in machinery/fixed assets per 1 ha of winter wheat (determined proportionately): 523.7 € per ha and year

Since the remaining values of machinery were not considered in the calculation, it accounts for a proportionate investment sum of: 1,047 € per ha (= Ø fixed assets × 2)

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Form. 1b

3.5.2 Costs for fixed assets

Fixed assets are used on the farm during a long period of time and, therefore, lose their value. Fixed costs include respectively depreciations, where applicable maintenance, insurance (motor vehicles), taxes (motor vehicles, not applicable if used only for agricultural purposes) as well as costs of capital (imputed costs for capital; calculation is done in the same way as for current assets). The latter are calculated for the average used capital, which is usually calculated as 50% of the purchase price (no remaining value is assumed).

The calculation for the yearly depreciation and the average yearly imputed costs for capital is as follows (A=purchase price):

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Depreciation per year: $A / \text{period of use expressed in years}$ (or: $A \times \text{depreciation percentage}$)
with remaining value (Rw): $(A - Rw) \times \text{depreciation percentage}$
depreciation percentage (%) = $1 / \text{period of use expressed in years} \times 100$

Imputed costs of capital per year: $A / 2 \times \text{adequate target rate}$ (differentiated acc. to own and borr. capital)
with remaining value (Rw): $(A + Rw) / 2 \times \text{adequate target rate}$

The allocation of proportionate fixed and overhead costs to a plants production process is difficult, as machinery is used not only for one specific kind of production. In Form 1b a possibility of approximate determination of proportionate fixed costs of own mechanization (with explanations) is shown.

If there is a alternative possibility of use for fixed assets, then opportunity costs are incurred. The calculation is based on the lost value of alternative use. In case with fixed assets the payment of possible rent or the fixed costs saved by selling of fixed assets can be used as a basis for such a calculation.