GENERAL NOTES

This livestock valuation computer model is based on the current legislation and the Income Tax (National Standard Cost for Livestock) Determination 1994, dated 29 March 1994.

Legislation and determinations omitted from this model, include:

- Self-Assessed Cost
- Market value or replacement cost
- Bailed livestock special valuation option
- Calculation of surpluses and deficiencies in bailed livestock
- Goats
- Pigs

The FIFO model does not cater for situations where a class of stock has entered the herd scheme and is valued under both Herd and NSC.

These instructions follow through the model from beginning to end with comments on each section.

If all livestock are on NSC you are able to compare between WAC and FIFO by selecting the option **Compare NSC WAC & FIFO?**.

IMPORTANT

A change in tax law removes the ability to exit the Herd Scheme for elections filed on or after 18 August 2011 except in specific circumstances. Herd Exit is no longer catered for in the model.

Livestock placed at use of structures

Where livestock has been placed at the use of another entity, you will need to run the total livestock used in the farming operation through the livestock model. The resultant NSC values will need to be applied to the stock owned by the owner and those used by the farming entity. Deficits will need to be valued at market value for the farming entity.

You may run the owners' numbers through the WAC model to calculate NSC and Herd values. You will need to blank all of the aging in the reconciliation.

Coloured Cells

Throughout the model, cells have been coloured to indicate those which allow data input and those which contain a formula but may be overridden to suit the options taken.

Cells requiring data input are coloured yellow.
Cells which may be overridden (based on the user's judgement) are coloured green. Data in these cells feed through from the Reconciliation section. Data is altered at the user's risk.

To begin using the model open the file and go to the client details tab first.

CLIENT DETAILS AND CONTENTS

The details entered on this sheet are printed on the header for each Livestock report.

A check box is provided to hide or unhide each worksheet as need. The name of each worksheet is a hyperlink to that worksheet. The hyperlinks will not work unless the worksheet is unhidden.
A return button is provided at the top of each sheet to bring you back to the contents page.

The legislation and the model allow much flexibility. This section explains some of the option choices in the model. The option section is at the top of each livestock tab.

OPTIONS

The options area determines the basis on which the livestock will be valued and allows printing of individual sections of the livestock model.

Already in FIFO Scheme? - This option allows for those who may already be valuing stock under the FIFO NSC method and provides an additional data entry area.

Already in NSC WAC Scheme? The FIFO NSC option is ignored and stock can be valued under Herd and WAC NSC.

Compare NSC WAC and FIFO? - This option provides valuations under both the WAC and FIFO NSC methods. Cannot be used with the Herd Scheme.

Include FIFO Non Breeding? - This allows stock to be valued under the FIFO NSC method separately for breeding and non-breeding. If not using the FIFO Model set to no.

Deduct Maturing Deaths/Missing from Surviving Opening Stock? Note that the calculation of surviving opening stock in the mature stock grouping has two options. If yes is answered, sales and deaths of rising 2 year and older stock (i.e. mature and maturing stock) is deducted from surviving opening stock. If no, rising 3 year and older sales and deaths are deducted.

Print options - There are options for printing the complete livestock model, the summary sheet or the Herd/WAC NSC summary and FIFO sheets and summary separately.

RECONCILIATION

The reconciliation section of each livestock type worksheet helps ensure each line of livestock is reconciled and therefore minimises integrity errors. *It is essential that you have the reconciliation correct before proceeding with the rest of the model.*

The data entered into the reconciliation automatically links into the tax valuation section below.

O/Stk No.   -   Enter opening stock tallies.

C/Stk No.   -   Enter closing stock tallies.

         -     Note that **rising one year breeding bulls** (if purchased) should be included in mature breeding bulls tallies.

Note also that high priced animals are entered in the High Priced section of the model. These animals need to be identified first when entering the tallies.

Bred   -   Enter numbers bred into the Rsg 1 year lines.

Purchases   -   Enter number and cost of stock purchased and the total cost for each class of livestock. **This should include freight costs.**

Check that total numbers and purchase costs agree with financial records. **ENSURE GST TREATMENT IS CORRECT. The purchase costs must be GST exclusive if the taxpayer is registered for GST and inclusive if they are not registered.**

Note that the terms "Rising 1 yr", "Rising 2 yr", "Rising 3 yr" etc have the same definitions as in the determination.

For example, rising 1 year purchases are stock purchased during the income year which are, or would have been if still on hand, rising 1 year livestock **at the end of the current income year**.

Note that bobby calf purchases will need to be split out in the purchases section of the model.

Sales   -   Enter numbers sold during the year.

Check totals against records.

Note comments above regarding age definitions and male non-breeding cattle. **It is most important** that sales of non-breeding cattle in particular are correctly analysed into age categories. For example, sales of rising 3 year cattle are sales of stock which **would have been rising 3 year at the end of the year in which they are sold.**

Aged (+) and Aged (-)	-	The opening stock numbers are **automatically** aged however these calculations **may be overridden** as required so long as the total of the Aged (+) column agrees with the Aged (-) column. Ram hoggets automatically age into breeding rams, this will need to be overridden if not appropriate.
Deaths and Killed	-	Enter known deaths, killed and missing. This will be the balance required to bring the unaccounted for column to nil but in total should agree with the total of the **deaths, killed and missing** numbers from the client tallies.
High Priced	-	The data on the High Priced line of the reconciliation feeds in from the High Priced Schedule of the model below the Reconciliation. This schedule needs to be completed for all High Priced stock on hand at the beginning or end of the year. This will allow a reconciliation of all livestock on hand including High Priced livestock.
Unacc For	-	To minimise integrity errors the aim should be to ensure that each line in the **Unaccounted For** column is nil. This may mean having to reclassify the numbers in the **Aged, Sales**, and **Deaths & Killed** columns.

FIFO DATA ENTRY

This area of the model will be hidden unless the option set out at the top of each livestock tab, "Already In FIFO Scheme" is selected. It is divided into breeding (or total) and non-breeding groupings.

O/Stk No.	-	Enter opening layered stock tallies.
		These will be obtained from the prior year FIFO reports. Where there were gaps between layers in the prior year these can be ignored and enter the data for the oldest layer into Layer A and work down. The mature intake from last year should be entered directly following the other mature layers and before the immature stock.
		In the Beef Cattle and Dairy Cattle models, ensure that the Male Non-Breeding cattle figures have also been correctly entered. These can be obtained from the prior year FIFO reports.
O/Stk $	-	Enter the corresponding values for each layer.

When all data entry is completed ensure that the total numbers and values agree to the last year closing values. An integrity error will appear if the number of FIFO livestock do not agree to the opening stock in the total livestock reconciliation schedule.

To ensure that an accurate calculation can be made of the FIFO values, the average values for each breeding and non-breeding category needs to be entered into the **last year average costs area** of the model.

Error 1 will appear when total opening non-breeding stock in the non-breeding reconciliation does not agree with the FIFO data entry section.

HIGH PRICED LIVESTOCK SCHEDULE

The High Priced schedule allows High Priced stock to be recorded and valued until they are sold or transferred out of the High Priced scheme.

Additional lines can be unhidden using the Unhide Lines and Hide Lines buttons can be used where there are larger numbers of High Priced stock.

Description	-	Each animal must be listed individually. The description must match the description in the thresholds box i.e. bulls must be "breeding bulls".
Year, Orig Cost, Open Value	-	Enter the data for all High Priced livestock on hand at the end of last year into the **Year, Orig Cost,** and **Open Value** columns. The total opening value can be verified against last years schedule.
Purchased	-	Enter the data for all High Priced livestock purchased during the year.

No write-down of high-priced livestock is available in the year of purchase where:
(a) The animal is not more than one year of age at the end of the income year of purchase; or
(b) The animal is purchased within 6 months of the end of the income year and, within that period:
    (i) If male livestock, has not been used for insemination or semen collection; or
    (ii) If female livestock, has not given birth or had ova removed.

If these conditions arise, leave the depreciation method column blank and no depreciation will be deducted.

Closing No	-	Enter a "**1**" in the **Closing No** column for all the High Priced livestock still on hand at the end of the year.

Any livestock for which a "1" is **not** entered in the Closing No column will automatically be treated as sold or transferred out of the scheme.

Sales/Tsfd   -   By default, the reductions in High Priced livestock are treated in the **Reconciliation** as **Deaths and Killed**. To correct this the numbers of High Priced livestock transferred out or sold should be shown in the **Aged (-)** or **Sales** column on the High Priced line of the Reconciliation.

LIVESTOCK VALUATION

Error Messages

The following error messages will appear in the model to warn the user when data input is invalid.

<div style="border:1px solid">

ERROR MESSAGES

error 1	error 8
error 2	error 9
error 3	error 10
error 4	error 11
error 5	error 12
error 6	error 13
error 7	error 14
	integrity?

</div>

The **error message box** in the model under the Total Tallies section of each livestock type tab will repeat any error messages which may appear throughout the model.

Error messages in the error message box and throughout the model will disappear as error conditions are corrected.

Possible error messages shown above are explained throughout these instructions.

Note particularly any "integrity?" error message. The legislation and determination rely on integrity of tallies, purchases and sales data across classes of stock. Don't be concerned if an "integrity?" message appears during data entry, however if the error remains after completing input then tallies and the age analysis of purchases and sales data should be examined to ensure that the data across each class, including age transfers, is correct.

A likely problem is incorrect analysis of purchases and sales data. The purchases and sales age definitions refer to the age of animals at the end of the current income year (as defined in the determination).

For example, a March balance date farmer purchasing ewe lambs in April must record those as rising 2 year purchases.

<div style="border:1px solid; color:red">

CHECK THAT THERE ARE NO ERROR MESSAGES LEFT IN THE ERROR BOX BEFORE USING ANY DATA IN A TAX RETURN.

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TOTAL TALLIES

O/Stk No. - Check these have fed through from Reconciliation correctly

C/Stk No. - Check these have fed through from Reconciliation correctly

Herd LYR - Enter numbers valued under the Herd Scheme last year. If numbers are entered here when option "**Already in FIFO Scheme?**" is selected, **Error 2** will appear as the model does not cater for the Herd Scheme to be used in conjunction with NSC FIFO.

Herd Min - Calculates the minimum number which must continue to be valued in the Herd Scheme.

Where any livestock of a TYPE are valued under the Herd Scheme, ALL male breeding stock of that type MUST be in the Herd Scheme. For deer this means that if you have Herd Scheme stock in either CLASS (Red/Wapiti/Elk or Other Deer), then male breeding stock in the other CLASS will be automatically included in the Herd Scheme.

NSC Max - Calculates the maximum number available to be valued under NSC (or SAC or market value or replacement cost). **Note that this model does not deal with any valuation options other than NSC, Herd Scheme and High Priced**.

Extra to Herd - Enter additional numbers to be transferred to the Herd Scheme this year. **It is recommended that you don't enter numbers in this area until after completing all other data input required. You may also wish to print the model before entering additional numbers.**

If you wish to model the cost of transferring additional numbers to the Herd Scheme you can use the Herd Options worksheet.

It is imperative under the legislation that if you are using the Herd Scheme for the first time that you have a Herd Scheme Election in place or make one before filing the tax return using the Herd Scheme.

Error 3 will appear when Extra to Herd exceeds the number available for transfer to the Herd Scheme.

Herd TYR - Resulting numbers in Herd Scheme this year, after transfers.

Increase/(Decrease) in Tax Value of Inventory	-	These cells are designed to assist in making a decision on how many additional animals will be transferred to the Herd Scheme. These numbers are not final or accurate until all data entry is complete.
	-	This is the total taxable income or tax deduction for the current year arising from movement in livestock inventory, however it will not be complete until all data is entered.
	-	Refer to INVENTORY VALUES FOR TAX schedule for details of how this number is calculated.
Last Year Tax Value	-	Check to last year workpapers to ensure the closing tax value from last year is the same as that entered into the model.
		Error 4 will appear when the NSC FIFO opening tax value does not agree to the Herd/NSC WAC opening tax value. This is caused by incorrect last year average costs being entered.
Number Bred	-	Check these have fed through from Reconciliation correctly. The % is calculated based on opening mature female stock.
Purchases - Total Sales - Total	-	Check these have fed through from Reconciliation correctly.
Deaths & Missing	-	Check these have fed through from Reconciliation correctly. The % is calculated on the total of opening stock, number bred and purchases.
		It is important that this Total Tallies area of the model is checked for integrity.

NON-BREEDING TALLIES (included above)

If you want to use a non-breeding sub-inventory group in the FIFO model you must select the option "Y" at cell K6 and enter the relevant tallies. If "Y" is selected but no tallies are entered, **Error 5** will appear.

O/Stk No. and C/Stk No.	-	Included in this area are tallies of stock not intended to be used for breeding purposes **whether valued under NSC or the Herd Scheme in the previous year**.
		For the purposes of linking data from the reconciliation, it has been assumed that all R1, R2 and R3 bulls are not intended to be used for breeding purposes and have been included as non-breeding livestock.

If this is not the case, these formulas will need to be overridden.

Entry in this area is voluntary, where a separate non-breeding sub-inventory grouping is required. This may result in a desirable outcome where there are significant purchases of non-breeding stock at costs above NSC values.

> *Male non-breeding cattle tallies are automatically included in this area by the system.*

Note also that any rising one year breeding bulls purchased which are on hand as rising one year old at year end should be included in the mature breeding bulls tally.

Note that for livestock to be included in a non-breeding sub-inventory they must have been bred or purchased for a non-breeding purpose.

Error 6 will appear where opening non-breeding number entered is greater than total opening stock.

Error 7 will appear where closing non-breeding number entered is greater than total closing stock.

Error 8 will appear where total FIFO non-breeding opening or closing stock does not equal total per non-breeding tallies.

Number Bred - Non Breeding -
Enter the number of non-breeding stock bred.
Note it has been assumed R1 bulls bred are not intended to be used for breeding purposes.

The number bred is required to assist the overall reconciliation of non-breeding tallies. The determination specifies that stock separated into a non-breeding sub-inventory grouping must be held in that category until sale or death.

Note that even if non-breeding tallies are reconciled overall, an "integrity?" error may occur if non-breeding tallies, purchases and sales do not reconcile across classes, including age transfers.

Error 9 will appear when number entered exceeds total number bred.

Purchases & Sales - Non-Breeding -
These totals are introduced automatically from data entered below.

Deaths & Missing - No entry required as calculated automatically from other data.

This number is a balancing figure which should be used to check that non-breeding tallies reconcile overall.

PURCHASES, SALES & DEATHS

Purchases - Check these have fed through from Reconciliation correctly.

Bobby calf purchases will needed to be entered here, they will be deducted from the appropriate Rising 1yr purchases. Ensure any bobby calves meet the definition required in the determination (see definitions tab).

Check the numbers in non-breeding area if a separate sub-inventory grouping is being used.

Note, however, that purchases of male non-breeding cattle must be entered in the non-breeding area.

Error 10 will appear when total purchase numbers or values does not equal the totals in the reconciliation.

Sales - Check these have fed through from Reconciliation correctly.

Error 11 will appear when non-breeding purchases or sales exceeds the total.

Deaths and Missing - Enter number of deaths and missing for non-breeding stock (except male non-breeding cattle). This should include number killed. Breeding deaths and missing will then adjust automatically. **Error 12** will appear when the total non-breeding deaths and missing does not equal the amount in the non-breeding tallies or where the non-breeding tallies do not calculate correctly on a line by line basis.

NATIONAL AVERAGE MARKET VALUES

NAMV LYR - These are the NAMV's announced by Government for the previous year

NAMV TYR and this year.

Herd Value Ratio	-	Enter ratios adopted for last year and this year.
	-	Enter 100 where no ratio adopted.
	-	**Error 13** will appear if entry is other than 90, 100, 110, 120 or 130.

To use a ratio other than 100% an election MUST be filed with the IRD under section EC17 of the Income Tax Act 2007 and approved.

| **Adjusted NAMV's** | - | No entry required. |

NATIONAL STANDARD COSTS

| **NSC's** | - | These are the NSC's announced by Government for this year. |

LAST YEAR AVERAGE COSTS

| **LYR Ave Costs** | - | Enter client's NSC average costs for last year for each livestock class. |

- If already in the FIFO scheme, you will need to calculate the opening average value for breeding and non-breeding mature and immature stock so that you can compare between FIFO and WAC average cost differences.

- If **all** NSC stock in a grouping were valued in the Herd Scheme last year, then no NSC average cost will be available from your client's model last year.

- In this circumstance an NSC average cost **may** need to be recalculated for the grouping, (as if stock in the grouping had been valued at NSC last year).

- In practice, you will need to recalculate a value **ONLY** when **ALL** rising one year stock (or rising two year male non-breeding beef cattle) were valued under the Herd Scheme last year, **AND** you wish to value intake using last year NSC costs, (instead of using the option of valuing intake at current year NSC costs which may not be the lowest cost option).
Refer Intake Value section below.

INTAKE VALUE SELECTION

This section only applies where there is stock in the herd scheme in the current year. Where there is no stock in the herd scheme in the current year, these options should all be set to "y". If the options for **Already in FIFO Scheme?** is selected these options are automatically set to "y" and then hidden.

Intake Selection

- Enter "y" to select the option of valuing intake at last years average cost.

- Enter "n" to select the option of valuing intake at this years average cost.

- **Error 14** will appear if -

   • entry is other than "y" or "n"

   • a "y" is selected and last year average cost is zero (enter recalculated value if required, as discussed in previous section)

   • an "n" is selected and current year average cost is zero. (In this circumstance select "y").

   • Mature inventory value is less than this year BRG.   (caused by low value purchases or incorrect prior year value).

NSC CALCULATIONS - WAC

NSC Values

- No entry required in this section, show calculations based on all the data entered.

- Shows detail of how NSC average costs are calculated.

- Watch for "integrity?" error messages in this section.

- Note that the calculation of surviving opening stock in the mature stock grouping has two options. If yes is selected for **Deduct Maturing Deaths/Missing from Surviving Opening Stock?,** sales and deaths of **rising 2 year and older** stock is deducted. If no is selected, **rising 3 year and older** sales and deaths are deducted.

INVENTORY VALUES FOR TAX

Tax Values Schedule

- No entry required in this section, show calculations based on all the data entered.

- Schedule lists stock at tax values, including calculating the Herd Scheme revaluation of opening stock.

- **Increase or (Decrease) in Tax Value of Inventory** at the foot of the schedule gives the total taxable income or tax deduction for the current year from movement in livestock inventory.

HERD OPTIONS - COST OF TRANSFERS

See the Herd Options tab. This tab should not be used until all data entry on individual livestock tabs has been completed and reviewed and all errors cleared.

The Herd Options worksheet has been added to provide an area where the cost of transferring stock to the herd scheme can be tested without impacting the tax calculation areas of the model.

The livestock numbers to be transferred to the Herd Scheme are entered in the yellow coloured cells of column E which then automatically calculates the cost of transferring to the herd scheme. There are print option buttons at the top of the worksheet to print the entire sheet or individually print the different livestock types.

Please note, this livestock model is not suitable where stock is valued under both Herd and NSC FIFO .

LIVESTOCK VALUES - NZ IAS 41

The NZ IAS 41 worksheet has been added to provide valuations for the current and prior year in compliance with the differential reporting exemptions of NZ IAS 41. These are reproduced below –

NZ IAS 41

Qualifying Entities

NZ4.1 *Entities which qualify for differential reporting concessions in accordance with the* Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005) *are not required to comply with:*

(a) *paragraph 12 which requires that biological assets be measured at fair value as at each reporting date. Qualifying entities are permitted to measure each class of biological asset at fair value in accordance with paragraph 12 or at cost in accordance with paragraph 30. Qualifying entities with livestock are permitted to use national average market values issued by the Inland Revenue Department as a proxy for the fair value of a class of livestock, provided that such values are applied consistently to a class of livestock. Qualifying entities with livestock are permitted to use national standard costs issued by the Inland Revenue Department as a proxy for the cost of a class of livestock, provided that such costs are applied consistently to a class of livestock. This concession applies even when the fair value of a biological asset is reliably measureable.*

No data entry is required, all livestock numbers are automatically transferred from the livestock reconciliation areas. There are option boxes at the top of the worksheet to select between market value and cost for each class of livestock.

Please note, these values are not the same as tax values. NSC values are 'pure' values as issued by the IRD, they are not impacted by any purchases made. Also, If you have high priced livestock they will be included in the total number of animals in the relevant category.

These values may not be used for compliance with NZ IFRS if you are not a qualifying entity under the framework for differential reporting.