



HOUSTON LIVESTOCK SHOW AND RODEO JUNIOR COMMERCIAL STEER FEEDING AND MANAGEMENT SHOW 2012 Summary of Expenses Instructions And Required Documentation

An exhibitor can obtain an excellent record book score of 25 points when the exhibitor provides adequate records to support the detailed information shown on the Summary of Expenses and the figures shown on the Summary of Expenses are accurate and mathematically correct. Complete documentation, as defined by the auditors and special instructions are summarized below by expense sheet section.

General

- I. Adequate records, specifically financial records, serve as documentation for all expenses associated with your feeding program. The following standards should be adhered to when obtaining supporting documentation from various vendors for the purchases associated with your feeding program.
 - A. Adequate records for the purchase of goods and services would include a bill of sale, invoice or receipt that indicates the following:
 1. Name and address of buyer
 2. Name and address of seller
 3. Purchase date of goods or services (steers, feed, vet expenses, etc.)
 4. Unit price of goods or services (steers, feed, vet expenses, etc.)
 5. Purchase price of goods or services (steers, feed, vet expenses, etc.)
 - B. The above represent the minimum information required on a bill of sale, invoice or receipt. See the accompanying Section Detail below for additional, specific information required on receipts for each section of the Summary of Expenses.
- II. The following guide should be used to determine when a bill of sale, invoice or receipt is required for a given financial transaction reported on the Summary of Expenses.
 - A. **Receipts are required for:**
 1. Initial purchase of steers
 2. All veterinary supplies and/or services
 3. All feed purchases
 4. Bulk feed storage charges
 - B. Receipts are **NOT** required for:
 1. Mixing charges (if self-mixed) – **however, this charge is required in your records if feeding bulk**
 2. Handling charges – but required in your records as specified in Section C
 3. Grinding charges – but required in your records as specified in Section C
 4. Interest expense
 5. Yardage & general sales expense

Section A

- I. Adequate records would include-
 - A. Bill of sale, invoice, or receipt that **indicates the information specified in the “General” section above** as well as the following:
 1. Description of steers purchased
 2. Weight of each steer at purchase
 3. Contract conditions (i.e. shrinkage, freight costs, commission)
 - B. Serially numbered scale ticket for each steer properly completed and signed by the weighmaster that evidences the weigh date, the buyer's name, the seller's name and the steer's certified weight.
- II. Special instructions regarding summary sheet completion-
 - A. For freight and buying commission expenses, you are instructed to use the following minimum expenses. Of course, if your expenses exceed these figures you are to enter the actual expenses and include supporting invoices or evidence of payment (i.e. canceled check or receipt).
 1. \$15.00 per head for freight
 2. \$7.50 per head for buying commission.
 - B. Verify mathematical accuracy of calculations and totals. Average purchase weight should be rounded to nearest whole pounds.
 - C. Utilize the appropriate information to complete Sections D through F.

Section B



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specifically included in the feed's contract purchase price (including shrinkage) and evidenced by the terms and conditions reflected on the supporting invoice, bill of sale or evidence of payment (i.e. canceled check or receipt):

Initial Handling Charge to Store	
Bulk Feed Purchased (In & Out Charge)	\$.30/cwt.
Grinding Charge	\$.50/cwt.
Mixing Charge	\$.25/cwt.
(Regardless of whether the feed was actually hand mixed)	
Storage Charges on Month-End Inventories	
(Charged as of the last day of each month)	
Shell corn or milo	\$.10/cwt./month
Ear Corn	\$.15/cwt./month
Bulk Ration	\$.10/cwt./month

- 6) The following minimum weights and costs should be used to determine cost per cwt. of hay fed during the feeding program:

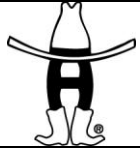
	<u>Minimum</u>	
	<u>Weight</u>	<u>Cost</u>
Round Bale	1000 lbs	\$55.00
Standard Square Bale	70 lbs	\$ 5.00

Of course, if your actual expenses or bale weights exceed the above minimum figures, you are to enter the actual expenses incurred or pounds of hay fed, as applicable and provide supporting invoices or evidence of payment (i.e. canceled check or receipt).

- 7) Any credits for feed remaining in inventory at the completion of the feeding program must be substantiated by any one of the following:
- a) A serially numbered scale ticket signed by a weighmaster which evidences weigh date, owner's name and certified weight of remaining inventory by feed ingredient
 - b) A recap of total lbs. purchased and placed in inventory less total lbs. withdrawn from inventory by feed ingredient
 - c) Actual remaining sack counts

Remaining inventory must be valued at cost (inclusive of all ingredient costs and any handling, grinding, or mixing charges incurred). Credit should not be recognized on any portion of a salt block or mineral block that remains at the end of the feeding program. Interest and storage expenses should not be considered in determining inventory cost. A recap of the calculated credit amount recognized should be included.

- 8) Verify mathematical accuracy of calculations, monthly subtotals and section totals. If more than one page is required, the subtotals at the bottom of each page should reflect a running, cumulative total of pounds purchased and expenses incurred as shown in the example.
- 9) Utilize the appropriate information to complete Sections D and F.



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Section D

Follow instructions carefully realizing the need to properly accumulate and transfer the financial information from other sections, as applicable. Approach this section with the understanding that all expenses will be 100% financed regardless of how much equity the feeder has in these cattle.

- A. Calculate interest expense incurred during the feeding period using a simple annual interest **rate of 5.0%** based on a **365-day year**. Assume that expenses will be drafted through the bank in the following manner:

Part I - Assume that the initial cost of the steers including freight and commission (refer to Section A on the Summary of Expenses) is borrowed from the bank on the day that the steers are purchased. In order to figure the number of Days Financed, use the date the funds were borrowed from the Bank as the beginning date, but do not include the date that the steers were weighed for purposes of ending the feeding program (i.e. 08/29/10 to 03/03/11 equals 187 days), as you assume that you paid the bank loan off on the record weigh date.

Part II - Assume that the combined total of feed and veterinary costs incurred each month (refer to Sections B and C on the Summary of Expenses) is charged to your account in the month incurred. Further assume that these charges are then billed to you on the 1st of the following month and that you borrow the funds from the bank to pay the billing on that day. For example, if you purchased \$128.20 in feed and \$12.16 in veterinary supplies in August, you paid the combined bill of \$140.36 with bank funds on September 1. In order to figure the number of Days Financed, use the date the funds were borrowed from the Bank as the beginning date, but do not include the date that the steers were weighed for purposes of ending the feeding program (i.e. 09/01/10 to 03/03/11 equals 184 days), as you assume that you paid the bank loan off on the record weigh date. Calculate Part II, including the section Total, completely **independent** of monthly calculations. Due to the rounding of amounts in each month, **do not** assume the sum of the rounded monthly amounts equals the total.

Part III - Recalculate total interest cost/head and interest cost/cwt. **independent** of Parts I and II above. Due to rounding of amounts in Parts I and II, **do not** assume the sum of amounts in Parts I and II equal totals.

- B. Record weight used in calculations should be net of 3% shrinkage (see Junior Commercial Steer Rules & Regulations - Official Rule #12).
- C. Verify mathematical accuracy of calculations and totals.
- D. Utilize the appropriate information to complete section F.

Section E

- A. Use \$.07 per head per day that the steers are in the feedlot and sales expense of \$16.00 per head in order to be realistic about yardage charges and commission charges that most commercial lots and livestock markets would charge. This will equalize records and point out the fact that there are additional costs in commercially fed steers.
- B. In order calculate the number of days the steers were in the feedlot, use the date the steers were purchased as the beginning date, but do not include the date that the steers were weighed for purposes of ending the feeding program , as you assume the steers were sold on the record weigh date.



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- C. Record weight used in calculations should be net of 3% shrinkage (see Junior Commercial Steer Rules & Regulations - Official Rule #12).
- D. Verify mathematical accuracy of calculations.
- E. Utilize the appropriate information to complete section F.

Section F

Follow instructions carefully realizing the need to properly accumulate and transfer the financial information from other sections, as applicable.

- A. In order to figure the number of days on feed use the steers' purchase date as the beginning date on feed, but do not include the date that the steers were weighed for purposes of ending the feed program (i.e. 08/29/09 to 03/03/10 equals 187 days), as you assume that the steers were sold on the record weigh date.
- B. The "Record Weigh Date" and the "Gross record weight of steers" must be supported by a serially numbered scale ticket for each steer properly completed and signed by the weighmaster which evidences the weigh date, owner's name and the steer's certified weight. The "Record Weigh Date" must be within 7 days prior to the show (See Official Rule #12).
- C. Definitions:

#11 Cost per pound of finished steers - Total cost of finished steers divided by net record weight.

#12 Feed Conversion (Dry Matter Conversion) - Total pounds fed divided by total gain**

** If you used a wet feed ration (25% moisture or higher) for your steers, use the following calculation for Dry Matter Conversion: $\text{Pounds of wet feed fed} \times \text{Dry Matter \%} = \text{Pounds of Dry Matter Fed}^{***}$

*** Dry Matter Percentage must be supported by copy(s) of Laboratory Analysis.

#13 Average Cost per pound of feed fed - Total cost of feed fed divided by actual pounds fed (See totals for Section C).

- D. Verify mathematical accuracy of calculations and totals. Reflect all weights in lines 1 through 4 in whole pounds.

General Comments

With the 2012 competition, the Junior Commercial Steer Audit Committee will once again provide a blank electronic Summary of Expense form on the Houston Livestock Show website in a Microsoft Excel format. This file will allow competitors to more easily utilize computers to complete their Summary of Expense forms, and it will also allow the Audit Committee the opportunity to further test out an automated system for auditing the record books.

For the 2012 Junior Commercial Steer Feeding & Management Contest, the Audit Committee is ENCOURAGING contestants to submit an electronic copy of their completed Summary of Expenses along with their record book. The preferred method of submitting an electronic copy of the Summary of Expense would be either on a CD or USB Flash Drive (also known as thumb drive or pin drive). The Audit Committee will use the electronically submitted Summary of Expenses to further test out an automated auditing system. The competitor's CD, or USB drive will be



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returned along with their audited record book. Competitors are NOT REQUIRED to submit their Summary of Expenses electronically for the 2012 contest.

The Summary of Expenses should be submitted with your record book; however, these schedules **must be removable for audit purposes**. Needless to say, the auditors will make any corrections necessary on these forms, so it's a good idea for exhibitors to keep an extra copy of their schedules (A - F).

The record book should be neat and organized in such a manner that it flows with the Summary of Expenses format. All supporting documentation should be arranged and presented by summary sheet section in date order, as reflected on the Summary of Expenses. Due to rounded amounts being reflected on the Summary of Expenses, it is recommended that each calculation should be viewed as **independent** of previous calculations with the independent calculation then being rounded. The ONLY exception to this is shrinkage and the corresponding net record weight of steers which should always be calculated using the whole pounds. All calculations should be reflected on the Summary of Expenses appropriately based on the examples on the following page (see 7 of 7).

Vice Chairman of Record Book Audits for 2012 is Mark Kubecka. Questions may be directed to him at markkubecka@gmail.com or by telephone at 361-649-1838.



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<u>Mathematical Expression</u>	<u>Calculated Amount</u>	<u>Properly Shown on Summary of Expense</u>
Interest Cost	\$ 75.34500 \$ 75.34490	\$ 75.35 \$ 75.34
Cost/lb.	\$.005950 \$.005940	\$.0060 / lb \$.0059 / lb
Cost/cwt.	\$ 74.49500 \$ 74.49490	\$ 74.50 / cwt \$ 74.49 / cwt
3% Shrinkage	100.50000 100.49990	101 lbs 100 lbs
Average Gain per Head	625.50000 625.49990	626 lbs 625 lbs
Average Daily Gain per Head	2.94500 2.94490	2.95 lbs / hd / day 2.94 lbs / hd / day
Feed Conversion	7.06500 7.06490	7.07 / 1 7.06 / 1
Average Cost per Pound of Feed Fed	\$.069950 \$.069940	\$.700 / lb \$.0699 / lb
Average Cost / Head / Day	\$ 1.88500 \$ 1.88490	\$ 1.89 / hd / day \$ 1.88 / hd / day

The exhibitor must complete the Summary of Expenses and assemble their record book prior to the show. It should be reviewed by an individual who has had no part in its preparation in order that costly errors can be detected and corrected prior to the audit review process. Remember that the auditors will verify and compare the information presented on the Summary of Expenses to existing documentation (i.e. invoices, canceled checks, receipts, certified weight tickets, etc.) to determine the accuracy of the detailed information and calculations reflected on the Summary of Expenses. If the information reflected on the corresponding documentation does not adequately support the information shown on the Summary of Expenses or the calculations are incorrect, the exhibitor's record book score will be negatively impacted. In addition, remember that the oral interview committee reviews rely on the Summary of Expenses, as audited, which means that the exhibitor may need to re-learn the "corrected" figures.

The Summary of Expenses shall be signed by the same individuals signing the "Affidavit of Certification", evidencing their acknowledgment that the Summary of Expenses accurately reflects the actual results of the feed program in accordance with the guidelines specifically stated within these instructions and the Official Rules related to the Junior Commercial Steer Feeding and Management Contest. The Summary of Expenses and its supporting documentation must be turned in prior to official weigh-in at show. Every effort humanly possible will be made to audit and grade all record books consistently based on compliance with the instructions and examples herein provided. Any discussions regarding audit corrections or record book scores shall be conducted between the Vice-Chairman of the Junior Commercial Steer Audit Committee or his/her appointee and the individual exhibitor (See Official Rule #19).