

# Calculation flow of income and profitability indicators at whole-farm and enterprise levels

## Whole-farm level

<b>TOTAL RECEIPTS</b>
+ market receipts incl coupled government payments
+ <b>decoupled payments whole farm level</b>
<b>- TOTAL EXPENSES</b>
+ variable costs enterprises
+ fixed costs whole farm
+ paid wages whole farm
+ paid land rent whole farm
+ paid interest on liabilities whole farm
<b>= NET CASH FARM INCOME</b>
- Depreciation
+ / - Change in inventory
+ Interest on savings
+ / - Capital gains / losses
<b>= PROFIT, FARM INCOME</b>
- Opportunity costs
+ calculated interest on own capital
+ calculated rent on land
+ calculated cost for own labour
<b>= RETURN TO MANAGEMENT</b>

## Enterprise level

<b>TOTAL RECEIPTS</b>
+ market receipts incl coupled government payments of the enterprise considered
<b>- TOTAL EXPENSES</b>
+ variable costs enterprise
+ fixed costs (allocated)
+ paid wages (allocated)
+ paid land rent (allocated)
+ paid interest on liabilities (allocated)
<b>= NET CASH FARM INCOME</b>
- Depreciation (allocated)
+ / - Change in inventory
+ Interest on savings (allocated)
+ / - Capital gains / losses (allocated)
<b>= PROFIT, FARM INCOME</b>
- Opportunity costs
+ <b>calculated interest on own capital (allocated)</b>
+ <b>calculated rent on land (allocated)</b>
+ <b>calculated cost for own labour (allocated)</b>
<b>= RETURN TO MANAGEMENT</b>

The scheme illustrates the sequential calculation of farm income indicators from gross receipts to the return to management. At the whole-farm level, total receipts include market revenues and government payments, while total expenses comprise variable and fixed costs as well as paid factors (wages, rent, and interest). Adjustments for depreciation, inventory changes, and capital gains yield farm profit. After accounting for opportunity costs of owned production factors (labour, land, and capital), the final indicator – Return to Management – reflects the remuneration for entrepreneurial effort. The same structure is applied at the enterprise level, with costs and returns allocated proportionally to each enterprise.”