

*Accrual accounting formula*

- + Cash Income (when farm products are sold)
  - Beginning value of inventory of farm products (farm products sold this year but produced last year – products not produced in the current year).
  - + Ending inventory (farm products produced this year but sold next year)
- = Accrual Income (when farm products are produced)
  
- + Cash Expenses (when production inputs are purchased)
  - + Beginning inventory (production inputs used this year but purchased last year)
  - Ending inventory (production inputs purchased this year but used next year)
  - + Ending accounts payable (production inputs used this year but paid for next year).
  - Beginning accounts payable (production inputs paid for this year but used last year).
- = Accrual Expenses (when production inputs are used).
  
- = Accrual Net Income (difference between the value of products produced (accrual income) and cost of input used (accrual expenses))