

NEW YORK STATE
RESIDENTIAL HEALTH CARE FACILITY
ACCOUNTING AND REPORTING MANUAL

ACCOUNTING PRINCIPLES (Cont'd)

capitalized, first year depreciation must be computed based upon the actual number of months the asset was in use, if the application of any other method results in a material mismatching of revenue and expense in the initial year.

Disposal of Plant Assets

Plant assets may be retired voluntarily or disposed of by sale, trade, abandonment or involuntarily lost as a result of casualty such as fire or storm. At the date of the retirement or disposal, the cost of the asset and its related accumulated depreciation must be removed from the accounts. Any resulting gain or loss on the retirement or disposal is to be reported as non-operative revenue/expense.

INVESTMENT TAX CREDIT

As contained in APB Opinion No. 2 issued by the American Institute of Certified Public Accountants, the investment tax credit may be accounted for in one of the following manners:

- a. the allowable investment credit may be taken as a reduction of federal income taxes in the year in which the credit arises (flow-through method).
- b. the allowable investment credit may be reflected in net income over the productive life of the asset and not in the year in which it is placed in service (deferral method).