

NEW YORK STATE
RESIDENTIAL HEALTH CARE FACILITY
ACCOUNTING AND REPORTING MANUAL

ACCOUNTING PRINCIPLES (Cont'd)

INVENTORIES

Inventories reflect the cost of unused nursing home supplies and should be carried at cost or market, whichever is lower. Any generally accepted cost method (e.g., FIFO, LIFO, Average, etc.) may be used as long as it is consistent with that of the preceding reporting period. Cost of inventories based on the last invoice price is not an acceptable method for determining such cost.

Perpetual inventory record systems are recommended. Physical valuations must be made at least once a year and the accounting records and perpetual records, if applicable, adjusted to such valuations. Physical valuations on a cycle basis are acceptable if perpetual inventory record systems are used by the nursing home.

Inventory usage records of some sort should be maintained for all inventories that are distributed and used by more than one department or cost center in the nursing home. It is recommended that a formal requisition system be used for this purpose.

Where inventory had not been recorded in the past, the cumulative effect of establishing such amounts will be reflected in accordance with generally accepted accounting principles.

While the taking of a physical inventory is mandated, the independent public accountant shall determine whether or not they should observe the physical evaluation of inventory for the purpose of expressing an opinion on the financial statements.

ACCOUNTING FOR PROPERTY, PLANT AND EQUIPMENT

Classification of Fixed Asset Expenditures

Property, Plant and Equipment and related liabilities must be recorded