

NEW YORK STATE
RESIDENTIAL HEALTH CARE FACILITY
ACCOUNTING AND REPORTING MANUAL

C. ACCOUNTING PRINCIPLES

ACCRUAL REPORTING

In order to provide complete, accurate, and uniform financial data, all residential health care facilities, including governmental institutions, must report such data on the accrual basis. If differences between the results of accruing an item and reporting that item on a cash basis are immaterial, accrual reporting of that item would be waived.

Within these guidelines, therefore, employee vacation, sick time, holidays, and personal time must be accrued when there is reasonable assurance that a liability does exist and will be liquidated.

MATCHING OF REVENUE AND EXPENSES

Subject to the limitations of accrual reporting, revenue must be reported in the period earned, i.e. when the services are rendered and a legal claim arises for the services. Deductions from revenue, including contractual adjustments, are to be given accounting recognition in the same period that the related revenues were recorded.

Revenue derived from services must be matched with the cost of providing those services.

Revenues and expenses should be matched for each cost center within the residential health care facility. Therefore, the cost of functions and activities within each cost center are to be included in accounts designated for that cost center. Revenue relative to such functions and activities must be included in the matching revenue accounts.