

Good Samaritan Health & Wellness Center
Policies and Procedures

Subject: Accrued Liabilities

Policy #: 3.18

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Approved by:

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3.18 Accrued Liabilities

Policy: It is the policy of GSHWC to accrue certain items monthly, such as payroll not paid through the end of the month, and any invoices for goods and services received that have not yet been entered into the accounting system software. Journal entries are prepared each month for accrued payroll and accrued liabilities in order to furnish management with financial information in accordance with the accrual accounting principal.

Purpose: To account for all revenues and expenses within each accounting period such that all financial activities within each period fairly represent all amounts due to and owed by GSHWC.

Procedures:

Accrued Payroll – Payroll costs are accrued for the number of days from the date of the last pay period to the end of the month for which the accrual is being made. The amount to be accrued each month is based upon a percentage factor as follows:

(Days from the end of last pay period to end of month / # of working days per period) X previous payroll cost. The following journal entry is made:

Dr. Wages /salaries expense by line item and cost center
Dr. Payroll tax expense
Cr. Salaries and wages payable

The entry is reversed on the first day of the following month so that payroll expenditures can be recorded on a cash basis. Related employer costs such as Social Security and Unemployment taxes should be recorded in relation to the payroll expense.

Accrued Liabilities (other than payroll or trade accounts payable) – Accruals should be recorded for goods and services received during the month, but where invoices have not been posted in the accounting system software. The entry is made as follows:

Dr. Appropriate expense or asset account

Cr. Accrued liabilities