

Good Samaritan Health & Wellness Center
Policies and Procedures

Subject: Prepaid Expenses

Policy #: 3.17

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Approved by:

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3.17 Prepaid Expenses

Policy: This policy is to establish the recording of values for expenses paid in advance.

Purpose: Prepaid expenses occur when a portion of a disbursement is for a future period. An example is an insurance premium that is paid for a period of a year in advance. When a prepaid expense transaction occurs, a current asset (prepaid expense) is recorded for the total amount paid and is amortized monthly to the appropriate expense over the coverage period.

Procedures:

Reviewing Incoming Invoices to Ensure Prepayment

1. The Accounts Payable department should identify all prepayments when invoices are processed. When entered into the financial software, the appropriate prepaid account should be used. Enter dates covered as well as the code for the type of expense into separate memo fields before saving.

Controlling Asset Balances

1. Monthly reconciliation to a subsidiary record will be performed and differences researched immediately. The CFO performing the reconciliation will maintain detailed records and/or the control account. Journal entries should be made monthly to record the prepaid expense to expense account.

The reconciliation must be reviewed and approved by the CFO.