

# [Governmental accounting (09 25)](https://assignbuster.com/governmental-accounting-0925/)

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## Governmental Accounting (09/25)

Governmental Accounting Criteria which must be met before donated services can be recordedas the contribution revenue and expenseBusiness entities may receive donations which meet the definition of an unconditional contribution. These donations may be unrestricted to use or be limited to a particular use. Activities of the government, such as health care services are sometimes enhanced by volunteers who willfully donate their abilities and time. Based on Simpson (2008)’s study, a contribution in the form of services should only be recognized if either one of the following two conditions is attained (Simpson, 2008); I. A non-financial asset is enhanced or created from the services contributed. II. The donor of the services has the required special skills. Thus, in cases where the above two conditions are met, the government entity must recognize the donated services by debiting expense and crediting revenue for the fair value of the service contribution. If neither of the above preceding requirements is met, the donated services should not be recognized. Examples of donated services to the government include health care services provided by volunteers who have proper medical skills and are willing to donate to the public without pay. Services provided by nurses, doctors and other professionals may meet the above criteria, and thereby, recognized by the government as services, implying that their recordings should be done accordingly (Simpson, 2008). As such, the value of the donated services should be properly charged in expense account and credited to the other operating revenue account, depending on the nature of the donated services. 2. Explain why a state has regulatory authority over a not-for-profit organizationThe state exercises regulatory authority over non-profit making organizations, based on one or both of the following two principles: I. The non-profit making organization is physically ‘ present’ in the state, for instance, the organization owns a real estate or has an office. II. The nonprofit organization raises program funds in the state (Simpson, 2008). In either principle, the state requires the nonprofit organization to register by providing information about its operations to the state. It is the latter principle for registration that provides the impetus for unified registration statement and movement for standardized common reporting in general. Besides, non-profit organizations may find raising their funds using public contributions to result into regulatory obligations to the state. Simpson (2008)’s argument from his analysis is that non-profit organizations conducting charitable solicitation within borders of any given state by any means, are subject to the law of that state, hence must register before soliciting funds (Simpson, 2008). Besides, it is not mandatory that the charitable organization be physically present in the state for the federal government to launch regulatory authority over that organization. This means, a letter, newspaper ad or a phone call made by the non-profit organization requesting for financial support from the state’s residents is enough in any unchallenged legal opinion of the government for the nonprofit organization to be granted permission of carrying out its operations (Simpson, 2008). ReferenceSimpson, D. (2008). 2009 Multistate Guide to Regulation and Taxation of Nonprofits. on Chicago: CCH. http://books. google. co. ke/books? id= KE5dVpNcWkwC&pg= SL2-PA3&dq= Explain+why+a+state+has+regulatory+authority+over+a+not-for-profit+organization&hl= en&sa= X&ei= aBwlVKgHhd49\_ZGBgA8&redir\_esc= y#v= onepage&q= Explain%20why%20a%20state%20has%20regulatory%20authority%20over%20a%20not-for-profit%20organization&f= false