

# Generally accepted accounting principles persuasive essay

[Business](#), [Accounting](#)



Companies and businesses are guided by rules and regulations that they must follow concerning financial data reporting. Generally accepted accounting principles (GAAP) assist accountants to work with the Securities and Exchange Commission (SEC) and are guidelines that apply to most financial statements. The GAAP are a list of principles used by accountants and they influence most financial information.

These principles of accounting are

- Accounting Entity
- Money Measurement
- Duality
- Cost Valuation
- Stable Monetary Unit

## **Accounting Principles**

The Accounting Entity is the organization that is the focus of the reports and information. These entities include businesses, churches, school districts, governments, and many other social organizations. For the purpose of this paper healthcare organizations will be the focus. Hospitals, clinics, physician offices, and other health care entities are required to file monetary reports showing monetary value of the organization.

Money Measurement is a concept that relates to transactions that can only be recorded if they can be recorded in monetary terms. There are certain aspects of an organization that cannot be counted on the financial statement. The expertise of staff, reliability of services, and employee working conditions are aspects of the organization that cannot be added to a

financial statement. Duality is the assets which are equal to the liabilities and the net assets. The assets, liabilities, and the net asset accounts should always create a balance ending in the duality.

This means that the cash used to buy an asset is placed on the liability side of a financial statement and the purchased item is placed on the asset side of that statement. Cost Valuation is also known as historical or acquisition costs are the original monetary value of an item. Assets and liabilities are costs that must be evaluated for financial reporting. Cost valuation does not consider inflation or depreciation values. Stable Monetary Unit allows the assumption that the dollar, a monetary unit, is stable regardless of inflation rates. Regardless of inflation rates financial statements over years usually have the same value.

## **Intentions of Accounting Principles**

According to Cleverly, Song, and Cleverly, (2011), the accounting entity principle's intention is to specify the entity for which the accounting focuses defines the information that is pertinent. Cleverly, Song, and Cleverly state that the intention of the money measurement principle is to define adequately the measuring of resources and obligations. Duality principle's intention is to show that the value of assets will always equal the value of claims. When transactions increase the number of assets and liabilities also increase thus allowing for duality.

The intention of the cost valuation principle is to show that asset value may not always equal the amount of money that can be gained by selling of these assets. One downfall is that this can cause old facilities to appear newer and

more efficient than they actually are. The intention of the stable monetary unit is to keep changes in the value of a dollar or other form of monetary units from affecting financial worth. This would be like adding apples and oranges if the fluctuation was monitored.

## **Health Care and Relation to Principles**

The accounting entity in relation to healthcare could be a clinic operation that is owned by a private physician may be the accounting entity. The organization must be clearly defined to be accurate and not misleading. The physician is not the accounting entity which is where most people make the mistake in placing ownership. Money measurement principle with regard to health care money measurement is guided by the organization and not the individual. The duality principle is evident when the financial statement of a health care facility is looked at such as if the organization purchases \$40,000 of patient supplies.

The balancing factor will show that there is an asset of this \$40,000 of supplies. This has shown a balance of assets and liabilities. The cost valuation principle when it is shown in health care requires that the initial asset valuation will not equal the final valuation because of a dramatic inflation tendency. Current replacement value is not viable for future cash flow changes. The stable monetary unit principle is important in the health care field because even if the income is stable the cash flow can be considered a negative.

The stability of money is crucial for there to be a positive outcome. In conclusion, the principles of accounting guide the financial aspects of

organizations. These principles are crucial to assist the health care facilities to maintain financial integrity. The actual organization or accounting entity is the focus of the financial statement. The money measurement is in relation to only the transactions or services that are only recorded in a monetary way. Duality describes assets, liabilities, and net assets which are always balanced.

Cost valuation refers to the original monetary value of any item. The stable monetary unit must stay stable regardless of inflation rates. The intention of these principles is to guide the financial and monetary aspect of all businesses. Checks and balances are implemented so that the health care organization is successful. Each of these principles allows a financial picture to be available for the constituents of the community involved.

## **References**

1. Cleverly, W. O. , Song, P. H. , & Cleverly, J. O. (2011). Essentials of health carefinance(7th ed. ). Sudbury, MA: Jones and Bartlett Learning.