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GAAP Used To Create The Financial Plan, And Recommendation For Patton-Fuller Community Hospital. The abbreviations GAAP refers to the Generally Accepted Accounting principles (Lucy, 1999). The principles encompasses an aggregate of rules and values that outlines how CPA firms account for assets, liabilities, incomes and expenses on their accounting and financial statements. American firms that operate under the GAAP guidelines prepare their business transactions and reports based on different GAAP rules (Hirschey, 2009). Thus, GAAP can be considered as a set of rules that are used in financial accounting and reporting. This essay will therefore identify the different GAAP used to create a financial plan and provide a recommendation for Patton-Fuller Community hospital based on their 2009 budget.

A financial plan is a succession of steps or objectives set by businesses or individuals to describe a progressive or cumulative attainment of a certain financial accomplishment (Lucy, 1999). These financial objectives and forecast are aimed at improving the financial position of the individual or organization through acquisition of new assets or elimination of debt. Various GAAP are instrumental in the preparation of GAAP.

The principle of consistency- According to the principle, businesses tend to follow a fixed method when accounting for different items in their business records (Lucy, 1999).

Principle of sincerity- According to this principle, a financial plan should be prepared realistically and, it should reflect the actual financial position of the business.

Principle of prudence- according to this principle a financial plan should not

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be exaggerated to fit the current situation.

Principle of continuity- The principle of continuity assumes that the business or financial activities of an individual are continuous (Hirschey, 2009). This principle eliminates complexities that may be associated with discontinuity.

Principle of periodicity- The principle of periodicity allows each accounting entry to be split according to periods. The principle also allows accountants to utilize the cyclic nature of business occurrences.

Principle of utmost good faith- According to this principle, businesses should disclose all their information to the insurer when applying for insurance policies.

Patton – Fuller community hospital has continuously provided quality medical services to people living in Kelsey and the immediate environment since 1975 (Apollo Group, 2006). To maintain its standards of operation, the hospital needs to have an economically viable financial plan. According to the 2009 budget plan, there is lack of consistency and continuity of the financial projections of the hospital. To maintain its position, the hospital needs to balance its organization and institutional roles. Financial accountants assume that a business will remain in operation within the forthcoming business period, when preparing its financial statements. On the other hand, the financial statements should indicate whether the business is likely to close down. In the 2009 financial budget, Patton – Fuller Hospital's auditor did not evaluate the sustainability of the business in the near future. In this case, the auditor did not evaluate the hospital's self-sufficiency ability. This is because the hospital requires adequate finances to sustain its inpatient and outpatient operations (Apollo Group, 2006). The hospital's

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administrators and auditor need to evaluate whether the hospital has the ability to generate enough money for its financial requirements without depending on donations.

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