

# Accounting and Management of Fixed Assets in Basic Medical and Health Institutions under the Governmental Accounting System

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**Abstract:** *The implementation of the governmental accounting system has had an important impact on the accounting of primary medical and health institutions. In response to the changes in the new system, starting from the classification adjustment and measurement of the fixed assets of the primary medical and health institutions, the connection between the old and the new accounting system will be discussed. At the same time, in order to improve the fixed asset management after the implementation of the new system, suggestions will be made from asset purchase, accounting, management and information construction.*

**Keywords:** *governmental accounting system; primary medical and health institutions; fixed assets*

## 1. Introduction

The "governmental accounting system" (hereinafter referred to as the "new system") adopts "dual basis" and "dual system", which has a great impact on the accounting of primary medical and health institutions, and fixed assets, as one of the key points of financial accounting and management of primary medical and health institutions, are precisely one part that has a greater impact on system adjustments, so the management and accounting of fixed assets will be analyzed in the following.

## 2. Classification of fixed assets

In the new system, fixed assets are divided into six categories, namely houses and structures, special equipment, general equipment, cultural relics and displays, books, archives, furniture, utensils, fixtures, animals and plants. The "Accounting System for Primary Medical and Health Institutions" (hereinafter referred to as the "original system") divides fixed assets into four categories, namely houses and structures, special equipment, general equipment, and other fixed assets. To ensure the effective implementation of the new system, the fixed assets of primary medical and health institutions should first be sorted out and classified. Because houses and structures have always been accounted for independently in the two systems, books and archives are generally accounted with detailed account setting up under other fixed assets in primary medical and health institutions. The physical objects of these two types of assets are also unique, and it is generally not easy to define in error, so the opening balance can basically be determined directly. However, in the original system, fixed assets such as furniture and appliances did not have separate accounting items. Many units put them in general equipment and special equipment for accounting. In addition, other fixed assets in the original system will no longer be used in the new system, and they need to be classified into other specific classifications. These changes have brought difficulties in determining the beginning balance of fixed assets-related subjects under the new system. Therefore, before the implementation of the new system, all fixed assets should be counted, and the fixed assets of primary medical and health institutions should be sorted according to the national standard classification code of fixed assets to determine the beginning balance of various assets.

## 3. Accounting of fixed assets

The new system introduces a parallel accounting method in the accounting system, that is, at the same time recording the financial accounting composed of assets, liabilities, net assets, income, and expenses, and the budget accounting composed of budget revenue, budget expenditure, and budget

surplus[1]. Through the implementation of parallel accounting, the accrual system of financial accounting and cash basis of budget accounting can be displayed at the same time, and these adjustments also bring great changes in the accounting of fixed assets.

**3.1 Accounting for increase in fixed assets**

The ways to increase fixed assets under the new system are divided into purchase, self-construction, donation, and allocation. However, due to the adjustment of accounting titles and accounting methods, the accounting for the increase in fixed assets has undergone major changes.

**3.1.1 Accounting for the purchase of fixed assets**

The purchase of fixed assets by primary medical and health institutions shall be accounted for according to different sources of funds, such as the use of self-owned funds, the use of fiscal funds, and the use of non-financial special funds.

Source of funds	Financial accounting	Budget accounting
Use own funds to purchase fixed assets	Debit: fixed assets Credit: bank deposits	Debit: business expenditures-own funds expenditure Credit: Fund balance
Use fiscal funds to purchase fixed assets	Debit: fixed assets Credit: financial appropriation income (or zero-balance account payment limit)	Debit: business expenditures-financial capital expenditure Credit: budget revenue of financial appropriation
Use non-financial special funds to purchase fixed assets	Debit: fixed assets Credit: bank deposits	Debit: business expenditures-non-financial special fund expenditure Credit: fund balance

**3.1.2 Accounting for allocated fixed assets**

The allocation of fixed assets is a common way for increase and decrease of fixed assets of primary medical and health institutions. Primary medical and health institutions transfer the available fixed assets to other primary medical and health institutions through the competent department to improve the efficiency of asset use, reduce funds, and avoid expenditures waste. The new system adds a first-level subject of "net asset allocation for free" to the net asset category of the transfer business, which is specifically used to account for this type of business. When the transferred fixed assets are received, the financial accounting entries are as follows:

Debit: fixed assets  
Credit: free transfer of net assets

If relevant taxes and fees that need to be included in the value of fixed assets occur during the asset allocation process, the following entries should be made:

Debit: fixed assets  
Credit: bank deposit

Meanwhile, the budget accounting entries for the related taxes and fees paid are:

Debit: other expenditures  
Credit: fund balance

**3.1.3 Accounting of donated fixed assets**

The new system has added a first-level subject of "donation income". Therefore, the fixed assets donated under the new system will be included in the donation income accounting. When receiving the donated fixed assets, if the relevant expenses are not paid, there is no need to do budget accounting treatment. The financial accounting entries are as follows:

Debit: fixed assets  
Credit: donation income

If the transportation expenditure of fixed assets and other expenses incurred during the process of receiving the donation, other expenses need to be accounted for. The accounting entries are as follows:

Debit: fixed assets

Credit: bank deposit

At the same time, the budget accounting entries for the related expenses paid are:

Debit: other expenditures

Credit: fund balance

### ***3.1.4 Accounting for self-built fixed assets***

Under the new system, the unit builds fixed assets by itself, and its accounting method is to aggregate related expenditures in the subject of "Construction in Progress" during the construction period, and transfer them to fixed assets after completion. The financial accounting entries during the construction period are:

Debit: construction in progress

Credit: bank deposit

The budget accounting entries are:

Debit: business expenditures

Credit: fund balance

After completion and transfer to fixed assets:

Debit: fixed assets

Credit: construction in progress

### ***3.2 Accounting for accumulative depreciation of fixed assets***

Similar to other public institutions, the "Accounting System for Primary Medical and Health Institutions" implemented by primary medical and health institutions since 2011 does not accrue depreciation fees. The new system cancels the "fixed fund" subject, and when accumulative depreciation is accrued to fixed assets, they are directly included in the subject of "business activity expenses" or "unit management expenses"[2]. Whether primary medical and health institutions use their own funds or financial allocations to purchase medical equipment, their annual depreciation expenses are included in the business activity expenses, which increases the comparability of data from different primary medical and health institutions. Reasonable calculation of various service cost data is conducive to objectively reflecting the operating costs of primary medical and health institutions, providing data support for the government to formulate reasonable medical service prices, and promoting the sound development of primary medical and health institutions. The implementation of the new system can also measure the cost of the government using state-owned assets to provide services, avoiding the current accounting system that only considers expenditure elements for budget funds, ignoring expense elements, and cannot accurately measure the cost of services provided by the government. This is beneficial to the government to make reasonable evaluation of business performance or operational performance of the unit[3].

Under the new system, the financial accounts entries for the monthly depreciation of fixed assets withdrawn by primary medical and health institutions will as follows:

Debit: business activity expenses / unit management expenses

Credit: accumulated depreciation of fixed assets

The new system requires the timing of depreciation of fixed assets. For fixed assets increased in the current month, depreciation will be accrued in the current month, and depreciation of fixed assets decreased in the current month will no longer be accrued in the current month.

### ***3.3 Accounting for decrease in fixed assets***

The new system and the original system are roughly the same in the way of reducing the fixed

assets of primary medical and health institutions. They are generally divided into the forms of retirement, transfer, and inventory loss. However, the new system has adjusted the relevant subjects of the original system. The "asset disposal expenses" subject has been added, mainly accounting for the expenses incurred when the unit is approved to dispose of the relevant assets, including the value of the fixed assets being sold off, the disposal expenses incurred during the disposal and the net expenses formed when the disposal income is less than the disposal expenses.

### ***3.3.1 Accounting for scrapped fixed assets***

Under the new system, the various disposal costs incurred by the scrapped fixed assets of primary medical and health institutions will no longer be collected through the "fixed assets clearance" subject, but instead will be collected by the "asset disposal cost" subject. The accounting entries for scrapped fixed assets of primary medical and health institutions are as follows:

Debit: asset disposal costs  
     accumulated depreciation of fixed assets  
 Credit: fixed assets

### ***3.3.2 Accounting for inventory loss or damage to fixed assets***

The inventory loss or damage of fixed assets of primary medical and health institutions is collected through the "waiting assets profit and loss" account. After the relevant approval is completed, it will be written off through subjects such as "management expenses" according to different circumstances. The accounting entries are as follows:

Debit: waiting assets profit and loss  
     Accumulated depreciation of fixed assets  
 Credit: fixed assets  
 Debit: management fees, etc.  
 Credit: waiting assets profit and loss

### ***3.3.3 Accounting for free transfer of fixed assets***

Under the new system, primary medical and health institutions transfer fixed assets free of charge and will use the "net asset allocation for free" account to calculate the net value of the fixed assets, and the related expenses incurred by the transferor will be included in the account of "asset disposal expenses". The accounting entries are as follows:

Debit: net asset allocation for free  
     Accumulated depreciation of fixed assets  
 Credit: fixed assets  
 Debit: asset disposal expenses  
 Credit: bank deposit

Meanwhile, the budget accounting entries for the disposition expenses paid are:

Debit: other expenses  
 Credit: fund balance

## **4. Management of fixed assets**

After the implementation of the new system, major changes have taken place in the accounting of fixed assets in primary medical and health institutions, and their management will also change accordingly. Therefore, the author recommends strengthening management from the following four aspects to improve the use of fixed assets.

### ***4.1 Strengthen the procurement process and evaluation management of fixed assets***

Primary medical and health institutions need to strengthen internal control management and

establish effective fixed asset procurement evaluation procedures. Before purchasing equipment, it is necessary to fully investigate the stock situation and use of existing fixed assets, as well as the conditions of use of new equipment after purchase and impact on the use of existing equipment, combining the long-term benefits of medical development and patient needs, carefully measuring costs and benefits. Primary medical and health institutions must hold accountable for the unreasonable purchase measurement and the idle waste of equipment. It is strictly forbidden to waste funds and avoid high depreciation expenses.

#### ***4.2 Improve classified management of fixed assets***

Primary medical and health institutions can sort out the fixed assets according to the national standard classification code during the inventory, and realize the dynamic information management of fixed assets and daily internal management. Meanwhile, primary medical and health institutions need to upgrade their existing information systems and add national standard classification fields to asset cards so that they can adapt to the requirements of asset classification according to the new system. While it can also facilitate financial personnel to determine the beginning balance of various assets under the new system, providing data support for the adjustment of the accounts of the new system.

#### ***4.3 Strengthen the construction of accounting information system***

Primary medical and health institutions must strengthen informatization and upgrade the current financial information system, so that budget accounting items and financial accounting items are presented in the account set at the same time, and financial personnel enter two types of accounting entries on the same voucher, which intuitive displays the financial accounting and budget accounting information in the vouchers, not only querying the financial accounting entries and budget accounting entries at the same time, but also facilitating the preservation of relevant accounting vouchers attachments. In addition, the system should also add relevant judgment functions to make preliminary judgments about whether budget accounting entries need to be prepared for different economic businesses, so as to ensure that financial personnel will not omit relevant budget accounting.

#### ***4.4 Detailed accounting of depreciation expenses***

Primary medical and health institutions should conduct detailed management of asset depreciation expenses based on their own industry characteristics. Firstly, the depreciation expenses can be collected according to different classifications of assets, which is convenient for analyzing the cost composition of primary medical and health institutions. At the same time, primary medical and health institutions can further subdivide the depreciation expense accounts according to the source of funds and the use of assets. For example, although the depreciation costs of fixed assets used to develop public health services are included in the business activity expenses of primary medical and health institutions, their functions are significantly different from general medical services, so the generated depreciation from the fixed asset used by public medical services is managed separately to make it different from general medical services, which is conducive to the cost accounting of primary medical and health institutions, and can also provide a more reasonable basis for government pricing.

### **5. Conclusion**

In short, the implementation of the "governmental accounting system" is firstly an opportunity to strengthen the management of fixed assets. Primary medical and health institutions must establish effective systems to constraint the purchase of fixed assets, management and use, improve the efficiency of asset use and the use of financial funds. Secondly, the implementation of the new system will promote the improvement of financial management concept of primary medical and health institutions and help improve the financial management level. Finally, the implementation of the system will unify the financial accounting standards and reporting systems of various administrative institutions, eliminate the differences in inter-industry accounting, and improve the comparability of accounting information of administrative institutions in China. The information quality of Chinese governmental accounting reports facilitates the government's assessment of the performance level and service benefits of various departments, provides strong data support for government decision-making, and improves the efficiency of the use of fiscal funds.

**References**

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