



**UNIVERSITY of NORTH TEXAS
HEALTH SCIENCE CENTER**



Procedure Name: Accounting Procedures
Effective Date: March 22, 2010
Revision: 01
Initiating Department: Office of Clinical Trials
Procedure Number: OCT-001
Application: Fiscal Management
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OBJECTIVE:

The objective of this procedure is to ensure that all OCT accounting procedures comply with Generally Accepted Accounting Principles (GAAP), as defined by the Financial Accounting Standards Advisory Board (FASAB), the Accounting Principles Board (APB), and the American Institute of Certified Public Accountants (AICP). All UNTHSC faculty, staff and students are required to adhere to the Fiscal Manual promulgated by the Division of Finance.

REFERENCES:

Policies of UNTHSC, Section 10.101	Chapter 10 – Fiscal Management
UNTHSC Fiscal Manual	Division of Finance Fiscal Manual
FASAB Website	http://www.fasab.gov/accepted.html

BACKGROUND:

Generally Accepted Accounting Principles (GAAP) provides the standard framework of guidelines for financial accounting. GAAP includes the standards, conventions, and rules accountants follow in recording and summarizing transactions and in the preparation of financial statements.

The key emphasis is on the word “general.” Since all accounting projects do not employ exactly the same methods, GAAP accommodates variation in applied accounting methods, as long as the methods generally adhere to the GAAP principles, which are broader than they are specific.

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The reason for GAAP's existence is that financial accounting information must be assembled and reported consistently and objectively. Third parties who must rely on such information have a right to be assured that the data are free from bias and inconsistency, whether deliberate or not. The underlying assumptions supporting GAAP are:

- **Economic Entity:** assumes that the business is separate from its owners or other businesses (*i.e.*, protocol funds are not part and parcel of departmental or other funds). Revenues and expenses of one protocol should be kept separate from all other entities, including departmental funds.
- **Going Concern:** assumes that the business will be in operation for a long time. Only when liquidation is certain is this assumption no longer applicable. The Office of Clinical Trials (OCT) meets this test of a going concern. Likewise, the financial subsets of the Office – the individual protocols – must also be treated as going concerns until they are closed and liquidated.
- **Monetary Unit:** assumes a stable currency is the unit of record. The U.S. Dollar is our unit of record and is not adjusted for inflation for normal reporting purposes.

The GAAP principles most applicable to OCT include:

- **Matching Principle:** Expenses have to be matched with revenues as long as it is reasonable to do so. However, for the OCT, revenues will be booked when received and expenses will be recorded when incurred. In short, the books of individual trials will be kept on a cash basis, because revenue is receivable only on achieving clinical milestones, while expenses occur throughout the life of the trial.
- **Disclosure Principle:** requires that the amounts and kinds of information disclosed will be decided from a trade-off analysis between the value of the information and the costs associated with its preparation and use. Information disclosed will be adequate to make sound financial judgments from the statements while keeping their cost of preparation reasonable.
- **Conservatism Principle:** states that when choosing between two solutions, OCT will select the one that will be least likely to overstate assets and/or income.
- **Historical Cost Principle:** states that the value of assets and liabilities will be stated in terms of historical costs rather than fair market value.
- **Industry Practices Principle:** states that accounting principles will follow industry practices.

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SCOPE:

This procedure applies to all clinical trial protocols.

RESPONSIBILITY:

This procedure will be executed by the OCT Financial Manager under the supervision of the Director of the Office of Clinical Trials.

PROCEDURE:

The Financial Manager will execute accounting procedures so they fully conform to the GAAP principles outlined above.

REVISION HISTORY

Rev	DCO	Description of Change	Approved by
1	10-101	Replacement of “policy” with “procedure”; addition of references and change history	Michael V.W. Bergamini

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