

**Specialized Accounting  
(Hospital Accounting )**

**Cihan University  
College of Administrative & finance  
sciences**

**Department of Accounting  
Level : Forth year  
Second Semester**

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## **Syllabus of hospital Accounting :**

We'll show in this chapter, the following topics:

- Introduction to hospitals Accounting (concept and definition ....)
- The nature of the accounting system in hospitals and its properties.
- Accounting procedures and record entries in the books of hospitals.
- Financial Statements in hospitals.

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## **Sources and references:**

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## **First: the nature of the accounting system in hospitals and properties:**

Accounting system for hospitals has the properties, including:

1- That the services provided by hospitals to patients is not homogeneous, but much depends on the patient's treatment , and then The cost of each patient is different from the other and need to be recorded independent.

2 - The need for a system so that it can control the budgets of the various elements of spending and determine the cost of the service unit and measure deviations of expenditure.

3 - The importance of extracting the expense of detection for each patient ( hospital bill ) though the general hospital provides services free , The goal of the patient's bill is calculating the cost of treating patient and useful in the preparation of budgets and in the pricing of these services If The private hospital.

4 - The importance of identifying all expenses Center within the hospital for the purposes of planning, controlling and evaluation Performance.

5 - The concept of evaluating performance for hospitals is different in other projects , as the Financial evaluating for performance may not accurately reflect the Over the efficiency, because the concept of efficiency is linked to the quality of the service performed. It heterogeneous services is subject to evaluating other considerations.

6- When calculating the results of the work of hospitals used terms expenses and revenues to express financial flows Hospital and to Concluding can prepare a budget for the hospital regardless of ownership and method of performance. Can be limited to the assets or property (the hospital's assets) and financial obligations, and the difference will be especially funds (especially funds means funds to be allocated For a particular purpose only), either provided by the State (if the hospital is owned by her) or to be made by the owners Hospital (capital) if the private hospital.

## **Types of financing in hospitals:**

### **\* Group unrestricted funds:**

Are used by the hospital administration to account for operations that fall within its competence, including:

## **1 - Operations funds:**

Used to account for all of the resources unrestricted and non-allocated for a specific purpose such as capital assets and long-term debt.

## **2 - Restricted funds administratively:**

Used to account for the non-restricted resources allocated by management for specific purposes related to operational processes.

## **\* Restricted funds group:**

Which is used to account for the resources that restricts applicants used for purposes Specific, including:

- 1 - Allowed funds for specific purposes (specific operational purposes)
- 2- Funds Replacement and expansion (spending on acquisition and replacement of fixed assets)
- 3- Allowed funds (namely the requirement to keep the origin permanently or for a specific order), and this type may be restricted or unrestricted under the terms.

## **Determine revenue and expenses :**

Hospital revenues are divided into three main groups are as follows:

**First:** Patient Service Revenue

**Second:** Other operating income (non-service Patients)

**Third:** Non-operating income (unrelated to the nature of the work of the hospital)

## **First: patients service revenues include:**

1. Nursing
2. Obstetrics room
3. Emergency room
4. Medical and surgical supplies
5. Laboratory
6. Pharmacy
7. X-ray
8. Recovery rooms

9. Anesthesia

10. Natural treatment ..... etc.

These revenues are recognized on an accrual basis (God willing, you know what I mean accrual basis), but until this is clarified to those who do not know what is the accrual basis of non-accountants Members and guests, that this basis is not interested in a period expense spend or receive the income, but What is important is saving time for this expense or revenue it to verify the application of the principle of an interview revenues to expenditures on the one hand and the principle of revenue on the other hand, the principle of rotating from a third party, but this is the work of inventory adjustments at the end of the fiscal year.

Also, reductions or discounts offered by hospitals of revenue is not considered an operating expense but are reductions by revenue through the use of appropriations accounts, which are reduction revenue to arrive at net revenue resulting from the provision of service.

It is these types of reductions :

1. reductions related to health insurance
2. Introduction of free services
3. Granted discounts for doctors and hospital staff.

As well as the bad debts are downloaded from patient services revenue in the statement of revenues and expenses and items are not considered operating expenses.

Second : other operating revenue

They revenues received by hospitals versus non-medical care services for patients, including:

1. Income from educational programs (science courses)
2. Research grants (to be recognized as revenue spending time only)
3. Rental income places belonging to the hospital, such as outpatient clinics
4. Revenue from gift sale, newspapers and the cafeteria, and others.
5. copies of medical reports of patients revenues ..... etc.

Third, non-operating revenue

Is that it is not directly related to the normal activities of the hospital, including:

1. gifts and donations and grants funds
2. The investment of funds unrestricted
3. The sale of the hospital property revenues
4. The property is not used in hospital operating revenues .... etc.

Revenue divided in hospitals to the following:

First: Self-revenues: include

A. Revenue residency and medical treatments

- 1- Residence revenue
- 2- Medical procedures revenue
- 3- Medical fees revenue
- 4- Drugs revenue
- 5- Laboratory revenue
- 6- Rays revenue
- 7- Medical disposables revenue

Second: other self-revenue:

- 1- Miscellaneous revenue
- 2- Miscellaneous subscriptions
- 3- Recovered phone service
- 4- Recovered resident doctors fees
- 5- Recovered health workers insurance expenses
- 6- Revenue of grants and contributions and donations

Expenditures:

First: frequent expenditures include

1. Salaries and bonuses
2. Vacancies
3. Professional wages for doctors
4. User fees
5. Bonuses and overtime
6. Compensation Insurance
7. Courses and training fees
8. Medicine expenses
9. Expenses consumables and medical supplies
10. Snack food for patients
11. General Maintenance

Second: capital expenditures

- 1- Computer hardware and software
- 2- General equipment
- 3- Emergency amendments
- 4- Benefits loans

Secondly: Group of the accounting system in hospitals : It consists of :

**A - Statistical and graphical records:**

1. Reception records
2. External clinic records
3. Guests record
4. Appointments record
5. Fixed Assets records
6. Medical department records

**B- The books and subsidiary: And includes:**

1. Patients Ledger (guests) enshrined up daily: This is the book of analytical books in which the registration of services provided for each of the patients on an external clinic basis, as well as each guest a patient at the hospital. Is extracted patient cost of day to day in this book, and it is converting to the general public and the subsidiary ledger.

2- Cash daily (Fund and the World Bank) and restricts the analytical cash sources manner and use, and provides daily detailed information for the management of the hospital for receipts from the external clinic and guests, and the rest of the sources and payments to suppliers, wages and salaries, and petty cash and the rest of uses.

3- Purchases daily: recorded in these daily purchases analytical elements are grouped according to the component, such as purchases of food, cleanliness of medicines and medical supplies tools, oils, fats and fuel...etc.

4- Petty cash daily: recorded the sustainable capacity allocated to the petty cash and used aspects such as office expenses , beverages , newspapers and magazines, and publications.

5- Salaries and wages books: It is used to record the salaries and wages of workers, technicians and doctors at the hospital, and the decomposition of

these amounts according to the various sections of the hospital services and centers.

6- Ledger debtors: includes patients who left the hospital accounts and their outstanding balances of the cost of treatment is reductions by these balances are paid off and is used in this book:

(A) payroll periodically to account debtors.

(B) Compared to existing balances with the balance of the total debtors account in the general ledger.

7- Ledger creditors: This book includes accounts payable owed by the hospital, such as supplier's accounts for food and pharmaceutical companies, and medical supplies.

8- Analysis of book distribution and indirect costs: the indirect cost analysis and are distributed to the hospital cost centers in preparation for uploading to cost units (patients bills).

**C - Books and General Journal: include:**

1. General Journal
2. General Ledger

**Documents used:**

1- Patient reception model: It includes data on the patient, date of joining, medical and Section processor, and the method of payment of the cost of treatment.

2. Patient record: This card represents the main document, which is under the medical and therapeutic services provided to the patient, as you write the notes the doctor and his signature.

3- Treatment card : and are designed in each section of the hospital departments to suit the medical service provided by the department concerned, which are recorded in the service obtained by the patient and attached to the patient's card, or data record .

4- Bills the patient's account: It contains a detailed statement of the cost of medical services obtained by the patient since joining the hospital until he left, and prepare the invoice or disclosure of the hospital's accounts.







2- Buy medical supplies:

From : medical supplies store

To : cash

Or : creditors

3. The proof is in the purchase of medical equipment for cash:

From : medical equipment

To : cash

4. Prove Depreciation of fixed assets:

From : operating expenses - Depreciation of fixed assets

To : Accumulated depreciation of fixed assets

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### **Replacement and expansion funds:**

1- Receipt of the amount of pledges

From : restricted cash

To : Accrued pledges

2- Obtain income investments to fund the replacement and expansion of operations

From : restricted cash

To : replacement funds and expansions - revenue of investments

3- The sale of investments for the purposes of replacement and expansion of profit

From : restricted cash

To : investments in securities

: **Replacement and expansion funds - gain on sale of investments**

4- Purchase of investment funded of replacement and expansion

From : investments in securities

To : restricted cash

5- Demonstrate the conversion of replacement and expansion of operations to non-restricted funds for the purchase of medical devices

From : funds of replacement and expansion

To : cash

6- Obtain commitments to finance the replacement and expansion

From : Accrued pledges

To: funds of replacement and expansion

7- Demonstrate the value of uncollected pledges

From : Allowance of pledges for doubtful debts

To : Accrued pledges

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**Related to allowed funds operations:**

1. receive customized for a particular purpose funds

From : restricted cash

To : Allowance funds granted restricted

2. Prove transfer to unrestricted funds.

From : Allowance funds to transform operations funds

To : cash

: Dues funds for operations

3. Purchase securities funded by allowed funds

From : investments in securities

To : restricted cash

Related to endowment funds operations:

1. Get permanently restricted donations

From : Investments in securities

To: permanently endowment funds

2. Revenue of investment for funds expansions and replacement

From : restricted cash

To: dues the replacement and expansion revenue of investments

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**Financial statements in hospitals:**

The basic financial statements for hospitals and applied in practice include:

1- Statement of Revenues and Expenses.

2- Balance Sheet.

3- Statement Changes in Fund Balances.

4- Statement of Changes in Financial Position

The following are examples of these lists...

1. The statement of revenues and expenses for the year ending - / - / --

Details	Amounts	Amounts
<u>Patient service revenue :</u>		
Daily services to patients	xx	
Nursing Services	xx	xx
Other professional services	<u>xx</u>	
Less:		
contractual discounts	xx	
Free Services	xx	
discounts for physicians and staff	xx	
Doubtful debts	<u>xx</u>	(xx)
Net revenue service of patient		xx
<u>+ Other operating income:</u>		
Revenue of educational programs	xx	
Transferred from allowed funds	xx	
Cafeteria sales	xx	
Revenue Rent, televisions, telephone etc ..	xx	
Miscellaneous other revenue	<u>xx</u>	xx
Total operating revenues		xx
<u>Operating expenses:</u>		
Nursing Services		
Other professional services	xx	
General Services	xx	
Administrative Services	xx	
Consumption expenditure	xx	
losses Sale of fixed assets	<u>xx</u>	(xx)
Total operating expenses		
Income (loss) from operations		xx
<u>Non-operating revenue</u>		
Grants and gifts unrestricted	xx	
Income from restricted funds administratively	xx	

Income from unrestricted of suspended funds	××	
Services donated for Hospital	××	
gains Sale of fixed assets	<u>××</u>	××
Total non-operating income		××
Increase revenue expenditure (or vice versa)		×××

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## 2. The balance sheet as at 31/12 / ----

Unrestricted funds						
Details	Amounts	Amounts	Amounts	Details	Amounts	Amounts
<u>Current assets:</u>				<u>Current liabilities:</u>		
Cash		××		Note payable		
Debtors	××			Creditors	××	
Allowance reductions and debt doubtful	<u>( ×× )</u>	××		Accrued expenses	××	
Dues from funds Allowance for purpose specific		××		Current installment of long-term debt	<u>××</u>	
Inventory		××		Total current liabilities		××
Prepaid expenses		<u>××</u>		<u>Long-term liabilities:</u>		
Total current assets			××	Notes payable	××	
<u>Fixed assets:</u>				Debt included mortgage	<u>××</u>	
Land		××		Total long-term liabilities		××
Buildings		××		The balance of the Funds		
Equipment		××		Total liabilities and balance of funds of operations		×××
Total depreciation of fixed assets		<u>(××</u> )				
Total fixed assets			××			
Total assets of operations			<u>×××</u>			

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## Restricted funds administratively:

Details	Amounts	Amounts	Amounts	Details	Amounts	Amounts
Cash	××			The balance of Funds	××	
Investments	<u>××</u>			Total balance of funds unrestricted administratively	<u>××</u>	
Total assets restricted administratively		××		Total liabilities and the balance of funds restricted	×××	
Total assets non-restricted			×××			

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Restricted funds, funds Allowance for specific purpose

Details	Amounts	Amounts	Amounts	Details	Amounts	Amounts
Cash	××			Dues funds of non-restricted	××	
Investments	<u>××</u>			balance of funds	<u>××</u>	
Total assets Allowance for specific purpose	×××			Total liabilities and the balance of funds Allowance for specific purpose	×××	

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Replacement and expansion funds :

Details	Amounts	Amounts	Amounts	Details	Amounts	Amounts
Cash		××		balance of funds	<u>××</u>	
Investments		××				
pledges under collection	××					
Allowance of pledges for doubtful debts	<u>(××)</u>	<u>××</u>				
Total assets of replacement and expansions		×××		Total balance of funds of replacement and expansions	×××	

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Endowment funds:

Details	Amounts	Amounts	Amounts	Details	Amounts	Amounts
Cash	××			balance of funds of restricted permanently	××	
Investments	<u>××</u>					
Endowment total assets	×××			balance of funds restricted for specific period	<u>××</u>	
				Total balance of endowment funds	×××	

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3- Changes of Statement in balanced fund :

Unrestricted funds

Details	Amounts	Amounts
<u>Operations funds:</u>		
The balance of funds first period	××	

Increase revenue to expenditure (or vice versa)	××	
Transferred from replacement and expansion to finance for purchase of fixed assets	××	
Transfer to replacement and expansion funds to implement the conditions laid on revenues these funds	(××)	
The balance of funds end period		××
<u>Restricted funds administratively:</u>		
The first-period balance	××	
Income from investments	××	
Transferred to operations funds (non-operating revenue )	(××)	
The balance of funds end period		<u>××</u>
Total fund balance of unrestricted end period		×××

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Restricted funds

Details	Amounts	Amounts
<u>Allowance funds:</u>		
The balance of funds first period	××	
grants and gifts restricted received	××	
Transferred to operations funds (other operating income)	(××)	
Income from investments	××	
Gains on sale of investments	<u>××</u>	
end period balance	××	
<u>Replacement and expansion funds:</u>		
The balance of funds first period	××	
Grants and gifts restricted received	××	
Income from investments	××	
Transferred from replacement and expansion to finance for purchase of fixed assets	(××)	
Transferred funds from operations pursuant to the terms and subject to revenue of replacement expansions funds	××	
Gains on sale of investments	<u>××</u>	
The balance of funds end period	××	
<u>Endowment funds:</u>		
The balance of funds first period	××	
Gifts and grants restricted	××	
Gains on sale of investments	<u>××</u>	
The balance of funds end period	×××	



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4- Statement of changes in financial position of unrestricted funds for the year ended 31/12 / ----

Details	Amounts	Amounts
<u>Sources of funds:</u>		
Increase (income) from operations	××	
Depreciation of fixed assets	××	
<b>Transferred from replacement and expansion funds to implement the conditions laid down on the revenues of these funds</b>	<u>(××)</u>	
Total working capital generated from operations + Non-operating revenue		××
+ Transfer from replacement and expansion funds to finance the purchase of fixed assets		××
Total sources of funds		<u>××</u>
<u>Uses of Funds:</u>		
Additions to buildings	××	
Purchase of equipment	××	
Reduction in long-term debt	××	
The increase in restricted funds administratively	<u>××</u>	(××)
Total uses of funds		×××
The increase in working capital		

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Example 1:

The following data in Shar Hospital:

- 1- Private hospital owners began the amount of 1,000,000 dinar in cash and gave the car market value of 300,000 dinars.
- 2- These donations amounted to 250,000 dinars, are recorded in a special account.
- 3- One of the institutions granting the hospital a piece of land to be used for the garden or establishment buildings on them, provided they do not sell and was the market value of the land of 180,000 dinars.
- 4- Hospital to get donations in the form of assets, amounting to 200,000 dinars.

Required / Record necessary entries.

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Example 2:

The following data available on the activities of one of the hospitals :

- 1- Patient Services revenues 1,000,000 distributed on the form:  
Daily services to patients 600,000

Nursing services 300,000

Other services 100,000

2- Reduction estimated 250,000 during the previous estimate of experiences and expertise distributed as follows:

Reduction cash 150,000

Free Services 60,000

For doubtful debts of 40,000

3- Upon receipt of the actual statements after the show the following:

The amounts collected from debtors 1,000,000

The actual reductions are 230,000 dinar distributed as follows:

Contractual reduction 130,000

Free Services 70,000

Doubtful debts of 30,000

Required / Recorded accounting entries in hospital journal.

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Example 3:

1- The following data available on the activities of one of the hospitals: 500,000 dinars Total outpatient clinic bills patients. Were collected 80% in cash and the patients was relieved of the rest.

Total residents of the internal clinic bills 146,000 of which 30% claims to insurance companies.

2- Entry fees visitors 40,000, cafeteria revenues 25,000, securities revenues 30,000.

Required / Record necessary entries.

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Example 4:

The following is a summary of the Special Operations unrestricted funds that have taken place in a Nishtman hospital during the year 2010 (amounts in dinars):

1- Patient Services revenues of 3,100,000 the bill include :

Daily patients services 2,100,000,

Nursing services 400,000

Other professional services 600 000

2- Estimated reductions from revenues of patients service as follows:

Reductions in the contracts value of 190,000

Donated 190,000

Free services as doubtful debts estimated at 11,000

3- Showed analysis of accounts receivable that the actual reduction really amounts is be collected and uncollected from revenues patient services 2,245,000, broken down as follows:

Proceeds from debtors 2,000,000

Free donated 100,000  
Reduction in the contracts value 100,000  
Uncollected debt 45,000

4- Other operating income 260,000 includes:

Cafeteria revenues 135,000  
TVs rental revenue 25,000  
Parking revenue 45,000  
Phone calls revenues 55,000

5- Free services provided for hospital 80,000 include :

Nursing services 50,000  
Public services 30,000

6- Salaries of employees in the hospital 1,500,000 paid in cash and is distributed as follows:

Nursing services 750,000  
Other professional services 500 000  
General Services 150,000  
Financial services 65,000  
Administrative services .35,000

7- Convert material from the medical supplies store as follows:

Nursing services 100,000  
Other professional services 50,000  
Public services 230,000  
Financial services 10,000  
Administrative Services 10,000

8- The purchase of medical supplies at 450,000 paid them 400,000 in cash and the rest on the account.

9- Other operating expenses amounted 150,000 includes:

Nursing services 20,000  
Other professional services 15,000  
General Services 55,000  
Financial services 10,000  
Administrative services 50,000

10- Obtained the value of grants and gifts unrestricted 250,000, and administrative investment revenue restricted amounted 45,000 has been received in cash.

11- Convert 100,000 dinar from funds replacement & expansion to buy a device for ECG.

12-The purchase ECG at 100,000 cash.

13- Received 25,000 from units allowed to cover current operations funds.

14- Earnings from non-restricted endowment funds ( donations funds) 170,000 in cash.

15- Depreciation of fixed assets during the period 200,000

16- The sale of medical equipment at \$ 30,000 and the cost of this equipment 165,000 and total accumulated depreciation 120,000

Required: Record previous operations in the unit unrestricted funds

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Example 5:

The following operations carried out by the Soma hospital at 2012 and the group's restricted funds "operations related to funds replacements and expansions" (amounts in dinars)

1- The collection 300,000 from previous value of pledges for the purposes of the purchase of medical equipment for the hospital.

2- Get 40,000 in cash for replacement and expansion funds investment revenue

3- The sale of investments private securities funds of replacements and expansions of 360,000 in cash, note that the cost amounted to 320,000

4- The value of investments in securities that have been purchased from replacement funds and expansions 100,000

5-The convert of 150,000 from funds the replacement and expansion to unrestricted funds for the purchase of medical devices.

6- Getting new pledges to donate for the purpose of replacement and expansion of 200,000 as the value of pledges for this purpose that the hospital has not been able to collect 60,000

Required : Record necessary entries in the unit appropriate funds.

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Example 6:

The following operations carried out by the Kurdistan hospital during 2012 and the group's restricted funds "related to allowance funds operations" (amounts in dinars)

1- Obtained amount 20,000 grant allowance to be spent on nursing services.

2- The convert of 18,000 to the unrestricted funds to cover the expenses that must be paid from the allowance funds, has been paid 8,000 in cash.

3- The value of investments in securities that were purchased from allowance funds 15,000 in cash.

Required / Record necessary entries in the unit appropriate funds.

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Example 7:

The following operations carried out by the Hiwa hospital during 2012 and the restricted funds "related to endowment operations of funds" (amounts in dinars)

1- Obtained securities 50,000 donation from one of the charities provided is not sold and use of revenue to finance the purchase of medical supplies for disabled children.

2- Obtained on revenues of private investment funds 40,000, endowment has been convert to the replacement & expansion of funds to implement the conditions placed on them.

Required / Record necessary entries in the unit appropriate funds.

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Example 8:

The following account of the activities in the private zhyan hospital at 18/04/2012

1- Entered Mr Goran the hospital , intimal disease room (17) daily rent of 15,000 dinars, a medical checking 10,000 dinar, medicines 30,000 , food and beverage 15,000 at 20/4/2012 he is out from hospital after recovering, and pay the amount of 70,000 in cash and left the rest of the tally to account debtors.

2- The purchase of food for the hospital 180,000 dinars paid of which 80,000 dinars.

3- The medicines purchased at 150,000 pharmaceutical company on the account.

4- Hospital paid maintenance expenses 50,000 dinars

Required / Record necessary accounting entries.

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Example 9 :

The following income and expenses Karez Hospital for the year ended 31/12/2013

1- Patient Services revenues [patients daily services 2,100,000 , nursing services 400,000 , and other professional services, 600,000,contractual discounts 190,000 , free services 190,000, doubtful debts 11,000]

2- Other operating income [cafeteria sales 135,000 , TVs rent revenue 25,000 , parking revenue 45,000, phone calls revenues 55,000 , transferred from allowance funds 25,000 ]

3- Operating expenses [Nursing services 920,000 , other professional services 535 000, General Services 465,000, financial services 84,000, administrative services 86,000, depreciation expense 200,000, losses sale of fixed assets 15,000 ]

4- Non-operating income [donated for hospital services 80,000, grants and gifts unrestricted 250,000, revenue administratively restricted investments 45,000, gains from non-restricted endowment funds 170,000].

Required / prepare income statement for the year ended 12/31/2013

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Example 10 :

The following trial balance after the preparation of final accounts and prepared for a hospital in 31/12/2013

Details	Debit Balances	Credit Balances
<u>First: Funds is not restricted</u>		
<u>Operations funds:</u>		
Cash	30,000	
Debtors	850,000	
Allowance reductions and debt doubtful		60,000
Dues from funds Allowance for specific purpose	20,000	
Inventory	85,000	
Land	325,000	
Buildings	2,500,000	
Equipment	1,750,000	
total depreciation of fixed assets		1,400,000
Creditor		150,000
Accrued expenses		275,000
Current installment of long-term debt		50,000
Long-term debt (after deducting the current installment)		700,000
Debt included mortgage		1,500,000
The balance of the Funds		1,425,000
<u>Restricted funds administratively</u>		
Cash	15,000	
	100,000	

Investments		115,000
The balance of Funds		
<u>Second: restricted funds</u>		
Funds allowance for specific purpose :		
Cash	25,000	
Investments	150,000	
Due unrestricted Funds		20,000
The balance of Funds		155,000
<u>Replacement and expansion funds:</u>		
Cash	5,000	
Investments	195,000	
Commitments under collection	18,000	
Allowance for doubtful debts pledges		3,000
The balance of funds		215,000
<u>Funds Endowment :</u>		
Cash	10,000	
Investments	750,000	
The balance of funds - permanently restricted		710,000
The balance of funds - restricted to a specific order		750,000
<b>Total</b>	<b>6,828,000</b>	<b>6,828,000</b>

Required /preparation necessary financial statements .

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**END**