

Component II: Administrative

Module C: Medical Office Finances

Topic 2: Bookkeeping, Accounting and Payroll

Statement of Purpose

To prepare the learner with basic knowledge and skills necessary to perform bookkeeping, accounting, and payroll operations in a medical practice or facility.

Student Learning Outcomes

Upon completion of this topic, the learner will be able to:

1. Spell and define key terms.
2. Distinguish between bookkeeping and accounting operations in the medical office.
3. Identify features and functions of medical office computer applications.
4. Prepare an accounts receivable aging analysis report.
5. Discuss forms and procedures for a payroll system.
6. Demonstrate skill and competency in completing financial operations using a computer and electronic equipment.
7. Identify the retention schedule for medical office financial documents.
8. Define petty cash and prepare a register and vouchers used in a medical office.
9. Identify non-medical financial operations of a medical practice.

Terminology

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| 1. Accounting cycle | 15. General ledger |
| 2. Accounts payable | 16. Inventory |
| 3. Accounts receivable | 17. Invoice |
| 4. Adjustments | 18. Liability |
| 5. Aging analysis | 19. Passwords |
| 6. Asset | 20. Patient ledger card |
| 7. Balance sheet | 21. Payroll |
| 8. Bookkeeping | 22. Petty cash |
| 9. Capital | 23. Posting |
| 10. Double entry | 24. Receipts |
| 11. Day-sheet | 25. Retention schedule |
| 12. Deductions | 26. Single entry |
| 13. Encounter form | 27. Super bill |
| 14. Federal Insurance Contributions Act (FICA) | |

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Content Outline/Theory Objectives	Suggested Learning Activities
<p>Objective 1 Spell and define key terms</p> <ul style="list-style-type: none"> A. Review the terms listed in the terminology section. B. Spell the listed terms accurately. C. Pronounce the terms correctly. D. Use the terms in their proper context. 	<ul style="list-style-type: none"> A. Games: word searches, crossword puzzles, Family Feud, Jeopardy, bingo, spelling bee, hangman and concentration. B. Administer vocabulary pre-test and post-test. C. Discuss learning gaps and plan for applying vocabulary.
<p>Objective 2 Distinguish between bookkeeping and accounting operations in the medical office.</p> <ul style="list-style-type: none"> A. Accounting is the systematic recording, reporting, and analysis of financial transactions of a business. B. Bookkeeping is the process of systematically recording the financial transactions of a business, to show how the transactions relate to each other. Bookkeeping is within the scope of accounting <ul style="list-style-type: none"> 1. Bookkeeping <ul style="list-style-type: none"> a. Definitions <ul style="list-style-type: none"> 1) Organized and accurate record-keeping system of financial transactions for a business. 2) Accounts receivable is money owed to the practice (e.g. patient accounts). 3) Accounts payable is money owed by the practice (e.g. cost of doing business). 4) Petty cash, on hand for small purchases and expenses. b. Single-entry bookkeeping <ul style="list-style-type: none"> 1) Uses a day-sheet or general ledger to record fees and payments for the services rendered. 2) An accounts receivable ledger card shows the amounts owed by each patient for services performed. 3) A check register records the checks written and details the expense category where office expenditures were made. c. Pegboard bookkeeping <ul style="list-style-type: none"> 1) The most commonly used bookkeeping method in a small physician's office. It is a very accurate system. 2) Requires some training and is easy to 	<ul style="list-style-type: none"> A. Lecture/Discussion B. Assigned Readings C. Have students practice on textbook software. D. Create a day sheet with all columns and categories. E. Research medical practice financial software.

<p>learn.</p> <p>3) This system uses multiple layers atop one another so that all pieces of information are recorded at one time</p> <ul style="list-style-type: none"> • All are pre-printed and arranged to be held in place by pegs at one side of the board. • Forms are NCR paper, where no carbon paper is required and the pressure of a pen will write through multiple layers. <p>2. Forms</p> <p>a. Super bills, encounter forms, or transaction slips to record details of the charges and credits on a given day for each patient</p> <ol style="list-style-type: none"> 1) These serve as a patient receipt. 2) It is also serves as an insurance billing request and a reminder of a claim. 3) Copies of these are kept in the patient chart for record of transactions and charges. 	
<p>Objective 3 Identify features and functions of medical office computer applications.</p> <p>A. Medical practice software features and functions</p> <ol style="list-style-type: none"> 1. Requires identification and authentication for access. 2. May include the Electronic Health Record. 3. Patient demographics. 4. Appointment scheduling. 5. Records all charges to accounts, such as payments/adjustments postings. 6. Aging analysis notes the delinquency of each account in terms of days. 7. Prepares electronic insurance billing. 8. Generates checks. 9. Manages electronic banking between the facility and the bank (e-banking). 10. Generates reports. 11. Requires reliable backup system. 	<p>A. Lecture/Discussion B. Assigned Readings C. Research medical office software packages and determine the needs of a small versus large practice.</p>
<p>Objective 4 Prepare an accounts receivable aging analysis report.</p> <p>A. Prepare an aging analysis report</p> <ol style="list-style-type: none"> 1. Prepare an electronic aging report based on day of service and amount owed. 2. Prepare a contact schedule for patients with 30, 60 90, and 120 day overdue accounts. 3. Identify information needed to contact patients. 4. Prioritize patient contacts. 5. Describe how to process delinquent accounts 	<p>A. Lecture/Discussion B. Assigned Readings C. Have students prepare a written and electronic aging report based on day of service and amount owed. D. Students should also prepare a contact schedule for patients</p>

after 120 days.	with 30, 60 90, and 120 day overdue accounts.
<p>Objective 5 Discuss forms and procedures for a payroll system.</p> <ul style="list-style-type: none"> A. New employee file. B. W-4 forms. C. Information forms <ul style="list-style-type: none"> 1. Identify salary level and payment options <ul style="list-style-type: none"> a. Management. b. Hourly. c. Temporary. d. Recording number of hours. e. Recording vacation time. f. Recording sick time. g. Recording special deductions. h. Recording overtime. 2. Employee Deductions <ul style="list-style-type: none"> a. Taxes, federal, state, and FICA. b. Benefits. c. Savings. d. Contributions. e. Dues. f. Garnishments. g. Loans. 3. Have employees update W-4 forms each year in case they want to adjust their deductions or make other changes. 	<ul style="list-style-type: none"> A. Lecture/Discussion B. Assigned Readings C. Students prepare a new employee file and identify the types of information and forms needed. D. Have students complete a W-4 form. E. Research computerized payroll applications.
<p>Objective 6 Demonstrate skill and competency in completing financial operations using a computer and electronic equipment.</p> <ul style="list-style-type: none"> A. A ten key calculator and/or computer ten key pad. B. A computer with appropriate financial software. 	<ul style="list-style-type: none"> A. Lecture/Discussion B. Assigned Readings C. Have students total columns in a day sheet. D. Timed tests for 10 key. E. Data entry into pre-formatted forms.
<p>Objective 7 Identify the retention schedule for medical office financial documents.</p> <ul style="list-style-type: none"> A. Accounting and bookkeeping records must be kept for a minimum of seven years. Some facilities keep records of the financial activity indefinitely. B. Liability and malpractice records must be kept permanently. 	<ul style="list-style-type: none"> A. Lecture/Discussion B. Assigned Readings C. Prepare a retention schedule for financial forms reviewed and studied in this lesson.
<p>Objective 8 Define petty cash and prepare a register and vouchers used in a medical office.</p> <ul style="list-style-type: none"> A. Established by a check written payable to “cash” or “petty cash”. 	<ul style="list-style-type: none"> A. Lecture/Discussion B. Assigned Readings C. Create computer form for petty

<ul style="list-style-type: none"> B. Provides cash for small purchases such as toilet paper, light bulbs and cleaning supplies. C. Revolving fund for continuous use. D. Petty cash voucher form used as a receipt of petty cash issued. E. Replenished when balance reaches a designated amount for practical needs. F. Fund kept in a locked box in a secure location in the office. G. Two office personnel, usually the office manager and receptionist/secretary monitor the fund and are responsible for distributing and replenishing the fund. 	<p>cash register.</p> <ul style="list-style-type: none"> D. Give students list of vouchers and have them record the expenditures and replenish the fund.
<p>Objective 9 Identify non-medical financial operations of a medical practice.</p> <ul style="list-style-type: none"> A. Costs associated with business expenses <ul style="list-style-type: none"> 1. Facility expenses <ul style="list-style-type: none"> a. Rent/mortgage. b. Taxes. c. Telephone/Internet. d. Heating/air conditioning. e. Lighting. f. Furniture. g. Equipment. h. Insurance. i. Security. 2. Supply expenses <ul style="list-style-type: none"> a. Medical supplies. b. Office supplies. c. Janitorial supplies. B. Inventory value of all equipment and supplies <ul style="list-style-type: none"> 1. Warranty costs. 2. Replacement/depreciation values. C. Accounts payable <ul style="list-style-type: none"> 1. Fixed monthly payments. 2. Invoices. 3. Contributions. 	<ul style="list-style-type: none"> A. Lecture/Discussion B. Assigned Readings C. Have students prepare a budget for a medical practice. Provide numbers for each of the accounts payable categories. D. Have students prepare an inventory report form.