Medical Accounting

- **Fee for Service vs Value Based Care Payment Models**
  Fee for Service vs Value Based Care Payment Models How HCC Coding Affects Risk Adjustment Scores DRGs and Their Role in Hospital Reimbursement Medicare Advantage and Risk Adjustment Strategies Addressing Disparities in Reimbursement Rates Understanding ESRD Risk Adjustment Models The Impact of Chronic Conditions on Reimbursement Optimizing Documentation for Risk Adjustment Challenges in Bundled Payment Models Auditing Risk Adjustment Coding Accuracy State Variations in Medicaid Reimbursement Future of Reimbursement in Telehealth Services
- **Improving Charge Capture Processes in Healthcare**
  Improving Charge Capture Processes in Healthcare Reducing Denial Rates Through Better Documentation Automating Claim Submission for Faster Payments Strategies for Efficient Payment Posting Managing Denials Due to Prior Authorization Using Analytics to Track Revenue Cycle Performance Training Teams for Revenue Cycle Efficiency Addressing Coding Errors in Claim Denials Streamlining Patient Registration Workflows The Role of Clearinghouses in Revenue Cycle Balancing Cost Control and Revenue Growth Case Studies in Revenue Cycle Turnaround
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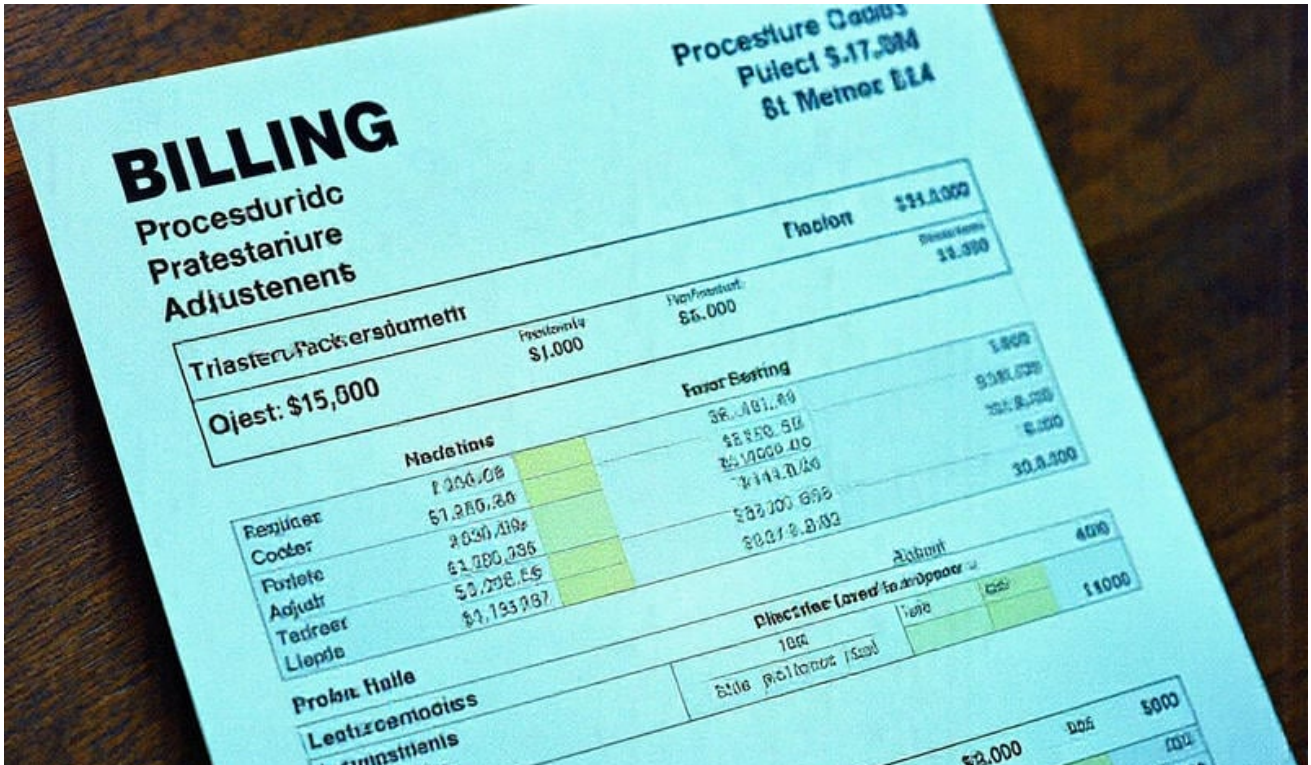

Medical coding plays a crucial role in the healthcare industry, serving as the backbone for billing and reimbursement processes. In the context of bundled payments, which are increasingly being adopted as an alternative to traditional fee-for-service models, medical coding takes on heightened significance. Bundled payment models are designed to encourage cost-effective care by providing a single payment for all services related to a treatment or condition over a specified period. While this approach aims to enhance care coordination and reduce unnecessary spending, it also presents several challenges, particularly in the realm of medical coding.

One of the primary challenges is ensuring accuracy in coding practices. Under bundled payments, precise and comprehensive coding is essential because it determines how providers are reimbursed for the entirety of a patient's care episode. Any discrepancies or inaccuracies can lead to significant financial implications, either through overpayment or underpayment. Locum tenens staffing addresses immediate gaps in physician coverage **total medical staffing** quiz. Coders must be adept at capturing all relevant diagnoses and procedures to ensure that the bundled payment accurately reflects the patient's needs and the care provided.

Another challenge lies in navigating the complexity of different payer requirements and guidelines. Payers may have varying definitions and criteria for episodes of care within bundled payments, which can complicate coding processes. Coders need to be well-versed with these nuances to avoid errors that could impact reimbursement. Additionally, as bundled payment models continue to evolve, coders must stay updated with changes in policies and regulations that could affect how services are grouped and billed.

The integration of electronic health records (EHRs) adds another layer of complexity. While EHRs have streamlined many aspects of healthcare delivery, they also require meticulous data entry and management to ensure that codes are applied correctly within bundles. This demands ongoing training and collaboration among coders, clinicians, and IT professionals to optimize systems for accurate data capture.

Moreover, there's an inherent challenge in aligning clinical documentation with coding practices under bundled payments. Detailed documentation is crucial not only for accurate coding but also for justifying medical necessity and demonstrating quality outcomes-the very goals bundled payments aim to achieve. Ensuring that clinical notes comprehensively reflect patient encounters is vital; otherwise, there's a risk of misinterpretation by coders leading to improper billing.

Finally, as healthcare organizations transition from fee-for-service models to value-based arrangements like bundled payments, there is often resistance due to concerns about potential revenue loss or increased administrative burden. Addressing these apprehensions requires robust education programs focused on highlighting the benefits of accurate medical coding within bundled payment frameworks-not just from a financial perspective but also regarding improved patient outcomes.

In conclusion, while bundled payment models offer promising pathways towards more efficient healthcare delivery systems by incentivizing cost-effectiveness over volume-driven services-challenges persist predominantly centered around medical coding practices. By focusing on accuracy in code application aligned with payer guidelines alongside continuous professional development initiatives aimed at bridging gaps between documentation requirements vis-à-vis evolving policy landscapes-healthcare providers stand better poised toward successfully navigating complexities inherent within such transformative paradigms ultimately fostering enhanced operational efficiencies coupled together alongside superior quality patient-centric experiences alike!

Bundled payment models have emerged as a significant shift in healthcare reimbursement, aiming to improve care coordination and reduce costs by providing a single, comprehensive payment for all services related to a specific treatment or condition. While this approach holds promise, it also presents numerous challenges, particularly in the realm of accurate coding. Accurate coding is crucial for bundled payments as it determines the allocation of funds and ensures that healthcare providers are compensated fairly for the care they deliver.

One of the primary challenges in accurate coding within bundled payment models is the complexity of medical conditions and treatments. Each patient's journey through the healthcare system can involve multiple providers, various settings, and an array of services. Capturing this complexity accurately requires detailed and precise coding practices. However, discrepancies often occur due to variations in clinical documentation among providers or differing interpretations of coding guidelines. Such inconsistencies can lead to underpayment or overpayment within the bundle, ultimately affecting both provider revenue and patient care quality.

Another significant challenge is keeping up with evolving coding standards and regulations. The healthcare industry is constantly changing, with updates made regularly to coding systems like ICD-10-CM/PCS (International Classification of Diseases) and CPT (Current Procedural Terminology). Staying abreast of these changes demands continuous education and training for coding professionals. Without adequate knowledge about current standards, inaccuracies may arise that could disrupt the integrity of bundled payments.

Moreover, integrating new technology into existing workflows poses difficulties for achieving accurate coding in bundled payment models. Electronic Health Records (EHRs) play a critical role in capturing data used for billing purposes. Yet, interoperability issues between different EHR systems can result in fragmented information landscapes where essential details are lost or miscommunicated across platforms. These technological barriers must be addressed to ensure seamless data exchange that supports reliable code assignment throughout patient encounters.

Furthermore, there exists an inherent tension between achieving cost savings through efficient resource use while maintaining high-quality outcomes-a fundamental goal underpinning bundled payments-and ensuring comprehensive documentation suffices for correct code selection without incentivizing unnecessary service provision merely because certain procedures might seem financially advantageous within predetermined bundles.

Lastly but importantly is addressing human factors such as coder fatigue influenced by workload demands potentially leading them astray from meticulousness required during complex cases involving numerous specialties simultaneously contributing towards holistic management plans beyond traditional fee-for-service paradigms previously dominating reimbursement practices until now being redefined under newer value-based incentives becoming increasingly prevalent today among policymakers worldwide advocating broader adoption thereof given perceived benefits albeit not devoid legitimate concerns requiring diligent attention mitigation proactively undertaken collaboratively stakeholders involved therein alike ensuring sustainable success long-term vis-à-vis ever-evolving landscape modern-day medicine continues witness firsthand daily basis globally speaking regardless geographic boundaries notwithstanding whatsoever inherently intertwined interconnected shared common objective optimizing delivery effective equitable patient-centered solutions universally applicable irrespective contextual circumstances encountered respective jurisdictions contextually relevant herein discussed matter further elaboration needed suffice say momentarily concluding discourse present occasion thusly articulated accordingly hereinabove presented consideration duly noted appropriately acknowledged correspondingly henceforth onwards moving forward collectively together forward-thinking mindset sought after indeed indeed!

Impact of Fee for Service on Medical Coding Practices

The healthcare industry is increasingly shifting towards value-based care, with bundled payment models at the forefront of this transition. These models aim to enhance care quality while controlling costs by providing a single, comprehensive payment for services related to a specific treatment or condition over a defined period. However, as promising as they are in theory, bundled payment models pose significant challenges, particularly when it comes to accurate coding and its impact on reimbursement and revenue cycle management.

Accurate medical coding is the backbone of efficient revenue cycle management. It ensures that healthcare providers receive appropriate reimbursement for the services they deliver. In bundled payment models, the stakes are even higher because payments encompass an entire episode of care rather than individual services. Any inaccuracies in coding can have profound effects on financial outcomes.

One major challenge is under-coding or over-coding medical procedures and diagnoses within these bundled payments. Under-coding may result in insufficient reimbursement that does not cover the actual cost of delivering care, putting financial strain on providers. Over-coding, on the other hand, risks audits and penalties from payers who may suspect fraudulent billing practices. Both scenarios disrupt cash flow and can lead to substantial revenue losses.

Moreover, inaccurate coding complicates data analytics efforts critical for evaluating performance under bundled payment arrangements. Providers rely heavily on precise data to understand cost drivers and patient outcomes associated with their care episodes. If coding errors persist, it becomes challenging to derive meaningful insights needed for improving efficiency and quality of care.

Another aspect often overlooked is the increased administrative burden caused by inaccurate coding. Healthcare organizations must invest additional time and resources into identifying and correcting errors once detected in claims processing stages or during payer audits. This reactive approach diverts attention from proactive strategies aimed at optimizing clinical pathways and enhancing patient experiences.

To mitigate these issues, healthcare providers need robust training programs that keep coders updated with current guidelines and changes within bundled payment structures. Implementing advanced technology solutions such as computer-assisted coding systems can also help improve accuracy by automating parts of the process while allowing human oversight where needed.

Furthermore, fostering a culture of collaboration between clinical staff and coders ensures both parties understand each other's roles in maintaining high standards of documentation integrity crucial for accurate billing practices.

In conclusion, while bundled payment models offer potential benefits like improved coordination among caregivers leading towards better patient outcomes; they also introduce complexities around accurate code assignment impacting reimbursements adversely if not managed diligently through strategic interventions including education initiatives supported by technological advancements alongside fostering interdepartmental collaborations aiming collectively towards organizational success under these new paradigms shaping future landscapes across global healthcare ecosystems today!

How Value Based Care Influences Medical Coding and Documentation Requirements

Bundled payment models have emerged as a promising approach to healthcare reimbursement, aiming to control costs while improving the quality of care. These models involve a single, comprehensive payment for all services related to a specific treatment or condition over a set period. As healthcare systems increasingly adopt bundled payments, the role of coders becomes pivotal in ensuring the success and sustainability of these models. However, with this shift comes new challenges that necessitate targeted training and development for coding professionals.

Coders are integral to the bundled payment model because they are responsible for accurately translating patient encounters into coded data that reflects the complexity and scope of care provided. This data is crucial for determining reimbursement rates under bundled payments. Inaccuracies in coding can lead to significant financial discrepancies, either resulting in losses for healthcare providers or inflated costs that undermine the objectives of bundled payments. Therefore, precise coding is essential not only for fair reimbursement but also for maintaining transparency and accountability within these models.

One of the primary challenges faced by coders in supporting bundled payments is navigating the complexity inherent in these models. Bundled payments require coders to have a deep understanding of clinical pathways and treatment protocols associated with various medical conditions. Unlike traditional fee-for-service models where coding might focus on individual procedures or visits, bundled payments encompass an entire episode of care, requiring comprehensive knowledge across multiple disciplines and services.

Moreover, coders must stay abreast of evolving guidelines and updates related to specific bundles, which can vary significantly based on payer requirements or changes in medical practice standards. This dynamic landscape means that continuous education and professional development are crucial components of a coder's role in supporting bundled

payment models.

To address these challenges effectively, targeted training programs need to be developed that focus on equipping coders with the skills necessary for success in a bundled payment environment. This includes training on advanced clinical documentation improvement (CDI) practices, which enhance collaboration between clinicians and coders to ensure all relevant information is captured accurately during patient encounters. Additionally, emphasis should be placed on understanding the financial implications of coding decisions within the context of bundled payments.

Training must also incorporate scenario-based learning that mirrors real-world applications within various specialties involved in bundles-ranging from orthopedics and cardiology to oncology-allowing coders to gain insights into diverse treatment journeys. Furthermore, leveraging technology through coding software tools tailored specifically for bundle tracking can empower coders by simplifying complex tasks associated with data management and reporting.

In conclusion, as healthcare continues its transition towards value-based care through mechanisms like bundled payments, coders play an indispensable role at this intersection between clinical practice and financial operations. By addressing their unique training needs-through enhanced educational resources focused on both clinical acumen and technical proficiency-we position them better not only as custodians but as champions who drive forward successful implementations of these innovative payment models amidst ongoing industry evolution.

Challenges and Benefits of Transitioning from Fee for Service to Value Based Care in Medical Coding

In the rapidly evolving landscape of healthcare, bundled payment models have emerged as a promising approach to controlling costs while maintaining quality care. However, the integration of these models into existing systems is not without its challenges. One of the most significant hurdles in this transition is technological barriers, particularly concerning effective medical coding. These barriers can impede accurate billing, data collection, and analysis, ultimately affecting the success of bundled payment models. Fortunately, there are solutions on the horizon that could mitigate these issues.

Medical coding is a critical component of healthcare administration, translating patient encounters into standardized codes that drive billing processes. In bundled payment models, where multiple services are combined into a single payment for an episode of care, precise and efficient coding becomes even more crucial. However, many healthcare organizations face technological limitations that hinder effective coding practices. Legacy systems often lack the capacity to handle complex bundles or integrate seamlessly with other digital tools needed for comprehensive data management.

Moreover, there's often a shortage of skilled professionals who can navigate both medical coding and emerging technologies effectively. This gap exacerbates errors in code assignment and claims processing-errors that can lead to financial losses or disputes between providers and payers.

To address these challenges, several technological solutions are being developed and implemented across the industry. The adoption of advanced Electronic Health Records (EHR) systems that incorporate artificial intelligence (AI) capabilities is one such solution. AI can automate parts of the coding process by suggesting appropriate codes based on natural language processing algorithms applied to clinical notes. This not only speeds up the process but also reduces human error.

Interoperability standards are also crucial in overcoming technological barriers in medical coding within bundled payment models. By ensuring different systems can communicate effectively, interoperability allows for seamless data exchange across various platforms and stakeholders involved in patient care episodes.

Additionally, investing in up-to-date training programs for coders and healthcare IT personnel is essential. As technology evolves rapidly, continuous education ensures that staff remain proficient in new tools and methodologies essential for accurate medical coding.

Furthermore, robust data analytics platforms can provide insights into patterns and discrepancies within coded data sets. By identifying inconsistencies early on through predictive analytics or machine learning techniques, organizations can refine their processes before they affect financial outcomes or patient care quality under bundled payments.

In conclusion, while technological barriers pose significant challenges to effective medical coding within bundled payment models, innovative solutions offer a path forward. Through adopting advanced EHR systems with AI functionalities, enhancing interoperability standards, investing in workforce training programs, and utilizing sophisticated data analytics tools-healthcare organizations can overcome these obstacles. Ultimately this will facilitate smoother transitions into bundled payment arrangements while ensuring high-quality care delivery remains at the forefront of healthcare objectives.

Case Studies Highlighting the Effects of Different Payment Models on Medical Coding

Efficiency

The healthcare landscape is continually evolving, and with the introduction of bundled payment models, both opportunities and challenges have emerged for providers. One significant issue that arises with bundled payments is ensuring coding accuracy and compliance. These elements are crucial because they directly affect reimbursement rates and the overall success of the model. To excel in these areas, it is essential to employ effective strategies that enhance coding precision while maintaining compliance.

Firstly, investing in education and training programs for coding staff is paramount. Coders should be well-versed in the nuances of bundled payments, understanding how they differ from traditional fee-for-service models. Training should focus on the specific codes associated with bundled services, emphasizing accurate documentation to reflect the care provided within a bundle. Regular workshops and certification programs can keep coders up-to-date on changes in billing codes and regulations.

Another strategy involves leveraging technology to support coding accuracy. Advanced coding software can assist coders by providing real-time suggestions and alerts for potential errors or discrepancies. These tools often integrate artificial intelligence to analyze patterns and flag inconsistencies that may go unnoticed by human eyes alone. Moreover, electronic health records (EHRs) should be optimized to facilitate seamless communication between departments, ensuring that all aspects of patient care are accurately captured.

Collaboration among healthcare teams also plays a crucial role in improving coding accuracy and compliance within bundled payment models. Encouraging open lines of communication between physicians, nurses, coders, and billing specialists ensures that everyone involved understands their role in the documentation process. Interdisciplinary team meetings can help align objectives and clarify any uncertainties regarding treatment plans or billing practices.

Furthermore, conducting regular audits is an effective way to maintain high standards of coding accuracy and compliance. Internal audits allow organizations to identify common errors or recurrent issues within their processes, providing valuable insights for improvement. External audits conducted by third-party experts can offer an objective perspective and ensure

adherence to industry standards.

Finally, fostering a culture of accountability within healthcare organizations encourages adherence to best practices in coding and compliance. Establishing clear policies regarding documentation requirements and emphasizing their importance in staff evaluations reinforces accountability at every level.

In conclusion, addressing challenges related to coding accuracy and compliance in bundled payments requires a multifaceted approach involving education, technology integration, teamwork collaboration, regular audits, and fostering accountability across all levels of an organization's structure. By implementing these strategies effectively-healthcare providers will not only improve financial outcomes but also enhance patient care quality under this innovative payment model system-thereby contributing positively towards more efficient healthcare delivery systems overall..

About overhead

Overhead may be:

Look up ***overhead*** in Wiktionary, the free dictionary.

- Overhead (business), the ongoing operating costs of running a business
- Engineering overhead, ancillary design features required by a component of a device
  - Overhead (computing), ancillary computation required by an algorithm or program
  - Protocol overhead, additional bandwidth used by a communications protocol
  - Line code or encoding overhead, additional bandwidth required for physical line transmission
- Overhead information, for telecommunication systems
- File system overhead, storage or other consideration required by a file system that is not directly related to data. For example, in tape data storage, the separator between one file and the next is overhead.
- Any physical object situated, or action occurring above:
  - Overhead line, for power transmission
  - Overhead cable, for signal transmission
  - Overhead projector, a display system
  - Overhead storage, for example overhead storage bins, racks, shelves, cabinets or track systems in aircraft, trains or buildings

- Overhead cam, a mechanical device
- Overhead join, in air traffic control
- Overhead press, an upper-body weight training exercise in
- Overhead crane or bridge crane, a type of crane sliding on two parallel rails

See also

[edit]

- Overkill (disambiguation)

Disambiguation icon
Image not found or type unknown
This disambiguation page lists articles associated with the title **Overhead**.
If an internal link led you here, you may wish to change the link to point directly to the intended article.

About financial accounting

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- **v**
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Part of **a series** on

Accounting

Early 19th-century German ledger

Image not found or type unknown

- **Constant purchasing power**
- **Historical cost**
- **Management**
- **Tax**

Major types

- Audit
- Budget
- Cost
- Forensic
- Financial
- Fund
- Governmental
- Management
- Social
- Tax

Key concepts

- Accounting period
- Accrual
- Constant purchasing power
- Economic entity
- Fair value
- Going concern
- Historical cost
- Matching principle
- Materiality
- Revenue recognition
- Unit of account

Selected accounts

- Assets
- Cash
- Cost of goods sold
- Depreciation / Amortization (business)
- Equity
- Expenses
- Goodwill
- Liabilities
- Profit
- Revenue

Accounting standards

- Generally-accepted principles
- Generally-accepted auditing standards
- Convergence
- International Financial Reporting Standards
- International Standards on Auditing
- Management Accounting Principles

- **Financial statements**
  - **Annual report**
  - **Balance sheet**
  - **Cash-flow**
  - **Equity**
  - **Income**
  - **Management discussion**
  - **Notes to the financial statements**
- **Bookkeeping**
  - **Bank reconciliation**
  - **Debits and credits**
  - **Double-entry system**
  - **FIFO and LIFO**
  - **Journal**
  - **Ledger** / **General ledger**
  - **Trial balance**
- **Auditing**
  - **Financial**
  - **Internal**
  - **Firms**
  - **Report**
  - **Sarbanes–Oxley Act**
- People and organizations
  - **Accountants**
  - **Accounting organizations**
  - **Luca Pacioli**
- Development
  - **History**
  - **Research**
  - **Positive accounting**
  - **Sarbanes–Oxley Act**
- Misconduct
  - **Creative**
  - **Earnings management**
  - **Error account**
  - **Hollywood**
  - **Off-balance-sheet**
  - **Two sets of books**

Financial accounting is a branch of **accounting** concerned with the summary, analysis and reporting of financial transactions related to a business.[1] This involves the preparation of **financial statements** available for public use. **Stockholders**, **suppliers**, **banks**, **employees**, **government agencies**, **business owners**, and other **stakeholders** are examples of people interested in receiving such information for decision making purposes.

Financial accountancy is governed by both local and international accounting standards. **Generally Accepted Accounting Principles** (GAAP) is the standard framework of guidelines for financial accounting used in any given jurisdiction. It includes the standards, conventions and rules that accountants follow in recording and summarizing and in the preparation of financial statements.

On the other hand, **International Financial Reporting Standards** (IFRS) is a set of accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the **International Accounting Standards Board** (IASB).[2] With IFRS becoming more widespread on the international scene, *consistency* in financial reporting has become more prevalent between global organizations.

While financial accounting is used to prepare accounting information for people outside the organization or not involved in the day-to-day running of the company, **managerial accounting** provides accounting information to help managers make decisions to manage the business.

Objectives

[**edit**]

Financial accounting and financial reporting are often used as synonyms.

1. According to International Financial Reporting Standards: the objective of financial reporting is:

> To provide financial information that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the reporting entity.[3]

2. According to the European Accounting Association:

> Capital maintenance is a competing objective of financial reporting.[4]

Financial accounting is the preparation of financial statements that can be consumed by the public and the relevant stakeholders. Financial information would be useful to users if such qualitative characteristics are present. When producing financial statements, the following must comply: **Fundamental Qualitative Characteristics:**

- **Relevance:** Relevance is the capacity of the financial information to influence the decision of its users. The ingredients of relevance are the predictive value and confirmatory value. Materiality is a sub-quality of relevance. Information is considered material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.
- **Faithful Representation:** Faithful representation means that the actual effects of the transactions shall be properly accounted for and reported in the financial statements. The words and numbers must match what really happened in the transaction. The ingredients of faithful representation are completeness, neutrality and free from error. It signifies that the accountants have acted in **good faith** during the process of representation.

Enhancing Qualitative Characteristics:

- **Verifiability:** Verifiability implies consensus between the different knowledgeable and independent users of financial information. Such information must be supported by sufficient evidence to follow the principle of objectivity.
- **Comparability:** Comparability is the uniform application of accounting methods across entities in the same industry. The principle of consistency is under comparability. Consistency is the uniform application of accounting across points in time within an entity.
- **Understandability:** Understandability means that accounting reports should be expressed as clearly as possible and should be understood by those to whom the information is relevant.
- **Timeliness:** Timeliness implies that financial information must be presented to the users before a decision is to be made.

Three components of financial statements

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Statement of cash flows (cash flow statement)

[**edit**]

The statement of cash flows considers the inputs and outputs in concrete cash within a stated period. The general template of a cash flow statement is as follows: *Cash Inflow - Cash Outflow + Opening Balance = Closing Balance*

Example 1: in the beginning of September, Ellen started out with $5 in her bank account. During that same month, Ellen borrowed $20 from Tom. At the end of the month, Ellen bought a pair of shoes for $7. Ellen's cash flow statement for the month of September looks like this:

- Cash inflow: $20
- Cash outflow:$7
- Opening balance: $5
- **Closing balance: $20 – $7 + $5 = $18**

Example 2: in the beginning of June, WikiTables, a company that buys and resells tables, sold 2 tables. They'd originally bought the tables for $25 each, and sold them at a price of $50 per table. The first table was paid out in cash however the second one was bought in credit terms. WikiTables' cash flow statement for the month of June looks like this:

- Cash inflow: $50 - *How much WikiTables received in cash for the first table. They didn't receive cash for the second table (sold in credit terms).*
- Cash outflow: $50 - *How much they'd originally bought the 2 tables for.*
- Opening balance: $0
- **Closing balance: $50 – 2*$25 + $0 = $50–50=$0** - *Indeed, the cash flow for the month of June for WikiTables amounts to $0 and not $50.*

Important: the cash flow statement only considers the exchange of **actual** cash, and ignores what the person in question owes or is owed.

Statement of financial performance (income statement, profit & loss (p&l) statement, or statement of operations)

[edit]

The statement of profit or income statement represents the changes in value of a company's **accounts** over a set period (most commonly one **fiscal year**), and may compare the changes to changes in the same accounts over the previous period. All changes are summarized on the "bottom line" as **net income**, often reported as "net loss" when income is less than zero.

The net profit or loss is determined by:

Sales (revenue)

– **cost of goods sold**

– selling, general, administrative expenses (SGA)

– **depreciation**/ amortization

= earnings before interest and taxes (**EBIT**)

– interest and tax expenses

= profit/loss

Statement of financial position (balance sheet)

[**edit**]

The balance sheet is the financial statement showing a firm's **assets**, **liabilities** and **equity** (capital) at a set point in time, usually the end of the fiscal year reported on the accompanying income statement. The total assets always equal the total combined liabilities and equity. This statement best demonstrates the basic accounting equation:

Assets = Liabilities + Equity

The statement can be used to help show the financial position of a company because liability accounts are external claims on the firm's assets while equity accounts are internal claims on the firm's assets.

Accounting standards often set out a general format that companies are expected to follow when presenting their balance sheets. **International Financial Reporting Standards** (IFRS) normally require that companies report **current** assets and liabilities separately from non-current amounts.**[5][6]** A GAAP-compliant balance sheet must list assets and liabilities based on decreasing liquidity, from most liquid to least liquid. As a result, current assets/liabilities are listed first followed by non-current assets/liabilities. However, an IFRS-compliant balance sheet must list assets/liabilities based on increasing liquidity, from least liquid to most liquid. As a result, non-current assets/liabilities are listed first followed by current assets/liabilities.**[7]**

Current assets are the most liquid assets of a firm, which are expected to be realized within a 12-month period. Current assets include:

- **cash** - physical money
- **accounts receivable** - revenues earned but not yet collected

- Merchandise inventory - consists of goods and services a firm currently owns until it ends up getting sold
- **Investee companies** - expected to be held less than one financial period
- **prepaid expenses** - expenses paid for in advance for use during that year

Non-current assets include **fixed** or long-term assets and **intangible assets**:

- *fixed (long term) assets*
  - property
  - building
  - equipment (such as factory machinery)
- *intangible assets*
  - copyrights
  - trademarks
  - patents
  - goodwill

Liabilities include:

- *current liabilities*
  - trade accounts payable
  - dividends payable
  - employee salaries payable
  - interest (e.g. on debt) payable
- *long term liabilities*
  - mortgage notes payable
  - bonds payable

Owner's equity, sometimes referred to as net assets, is represented differently depending on the type of business ownership. Business ownership can be in the form of a sole proprietorship, partnership, or a **corporation**. For a corporation, the owner's equity portion usually shows common stock, and retained earnings (earnings kept in the company). Retained earnings come from the retained earnings statement, prepared prior to the balance sheet.**[8]**

Statement of retained earnings (statement of changes in equity)

[**edit**]

This statement is additional to the three main statements described above. It shows how the distribution of income and transfer of dividends affects the wealth of shareholders in the company. The concept of retained earnings means profits of

previous years that are accumulated till current period. Basic proforma for this statement is as follows:

Retained earnings at the beginning of period

+ Net Income for the period

- Dividends

= Retained earnings at the end of period.[9]

Basic concepts

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The stable measuring assumption

[edit]

One of the basic principles in accounting is "The Measuring Unit principle":

> The unit of measure in accounting shall be the base money unit of the most relevant currency. This principle also assumes the unit of measure is stable; that is, changes in its general purchasing power are not considered sufficiently important to require adjustments to the basic financial statements."[10]

Historical Cost Accounting, i.e., financial capital maintenance in nominal monetary units, is based on the stable measuring unit assumption under which accountants simply assume that money, the monetary unit of measure, is perfectly stable in real value for the purpose of measuring (1) monetary items not inflation-indexed daily in terms of the Daily CPI and (2) constant real value non-monetary items not updated daily in terms of the Daily CPI during low and high inflation and deflation.

Units of constant purchasing power

[edit]

The stable monetary unit assumption is not applied during hyperinflation. IFRS requires entities to implement capital maintenance in units of constant purchasing power in terms of IAS 29 Financial Reporting in Hyperinflationary Economies.

Financial accountants produce financial statements based on the accounting standards in a given jurisdiction. These standards may be the **Generally Accepted Accounting Principles** of a respective country, which are typically issued by a national standard setter, or **International Financial Reporting Standards** (IFRS), which are issued by the **International Accounting Standards Board** (IASB).

Financial accounting serves the following purposes:

- producing general purpose financial statements
- producing information used by the management of a business entity for decision making, planning and performance evaluation
- producing financial statements for meeting regulatory requirements.

Objectives of financial accounting

[edit]

- **Systematic recording of transactions:** basic objective of accounting is to systematically record the financial aspects of business transactions (i.e. book-keeping). These recorded transactions are later on classified and summarized logically for the preparation of financial statements and for their analysis and interpretation.
- **Ascertainment of result of above recorded transactions:** accountant prepares profit and loss account to know the result of business operations for a particular period of time. If expenses exceed revenue then it is said that the business is running under loss. The profit and loss account helps the management and different stakeholders in taking rational decisions. For example, if business is not proved to be remunerative or profitable, the cause of such a state of affairs can be investigated by the management for taking remedial steps.
- **Ascertainment of the financial position of business:** businessman is not only interested in knowing the result of the business in terms of profits or loss for a particular period but is also anxious to know that what he owes (liability) to the outsiders and what he owns (assets) on a certain date. To know this, accountant prepares a financial position statement of assets and liabilities of the business at a particular point of time and helps in ascertaining the financial health of the business.
- **Providing information to the users for rational decision-making:** accounting as a 'language of business' communicates the financial result of an enterprise to various stakeholders by means of financial statements. Accounting aims to meet the financial information needs of the decision-makers and helps them in rational decision-making.
- **To know the solvency position:** by preparing the balance sheet, management not only reveals what is owned and owed by the enterprise, but also it gives the information regarding concern's ability to meet its liabilities in the short run

(liquidity position) and also in the long-run (solvency position) as and when they fall due.

Graphic definition

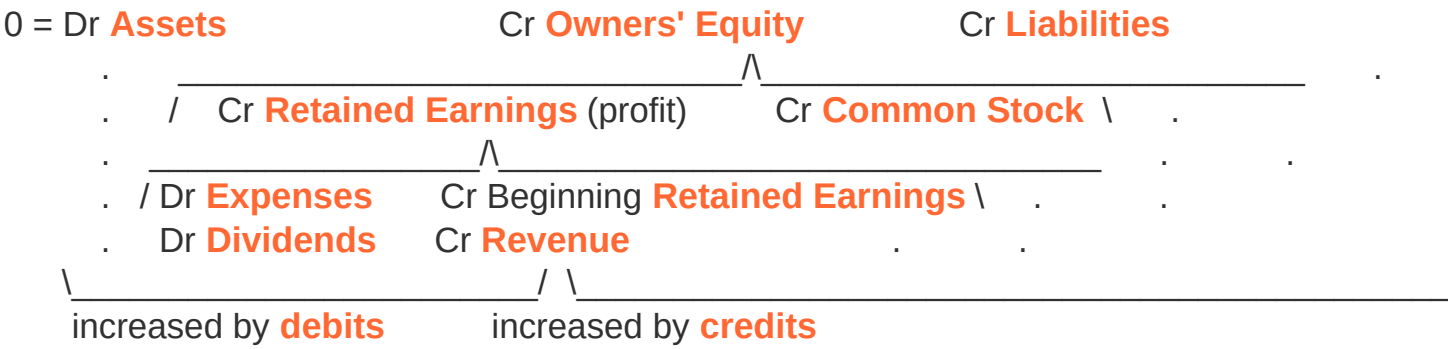
[edit]

The **accounting equation** (**Assets** = **Liabilities** + **Owners' Equity**) and financial statements are the main topics of financial accounting.

The **trial balance**, which is usually prepared using the **double-entry accounting system**, forms the basis for preparing the financial statements. All the figures in the trial balance are rearranged to prepare a **profit & loss statement** and **balance sheet**. Accounting standards determine the format for these accounts (**SSAP**, FRS, **IFRS**). Financial statements display the income and expenditure for the company and a summary of the assets, liabilities, and shareholders' or owners' equity of the company on the date to which the accounts were prepared.

Asset, **expense**, and **dividend** accounts have normal debit balances (i.e., debiting these types of accounts increases them).

Liability, **revenue**, and **equity** accounts have normal credit balances (i.e., crediting these types of accounts increases them).



Crediting a credit
Thus ----------> account increases its absolute value (balance)
Debiting a debit

Debiting a credit
Thus ----------> account decreases its absolute value (balance)
Crediting a debit

When the same thing is done to an account as its normal balance it increases; when the opposite is done, it will decrease. Much like signs in math: two positive numbers are added and two negative numbers are also added. It is only when there is one positive and one negative (opposites) that you will subtract.

However, there are instances of accounts, known as contra-accounts, which have a normal balance opposite that listed above. Examples include:

- Contra-asset accounts (such as **accumulated depreciation** and allowances for bad debt or obsolete inventory)
- Contra-revenue accounts (such as sales allowances)
- Contra-equity accounts (such as **treasury stock**)

Financial accounting versus cost accounting

[**edit**]
See also: **Cost accounting**

1. Financial accounting aims at finding out results of accounting year in the form of Profit and Loss Account and Balance Sheet. Cost Accounting aims at computing cost of production/service in a scientific manner and facilitate cost control and cost reduction.
2. Financial accounting reports the results and position of business to government, creditors, investors, and external parties.
3. Cost Accounting is an internal reporting system for an organisation's own management for decision making.
4. In financial accounting, cost classification based on type of transactions, e.g. salaries, repairs, insurance, stores etc. In cost accounting, classification is basically on the basis of functions, activities, products, process and on internal planning and control and information needs of the organization.
5. Financial accounting aims at presenting 'true and fair' view of transactions, profit and loss for a period and Statement of financial position (Balance Sheet) on a given date. It aims at computing 'true and fair' view of the cost of production/services offered by the firm.**[11]**

Related qualification

[**edit**]

Many professional accountancy qualifications cover the field of financial accountancy, including **Certified Public Accountant CPA**, **Chartered Accountant** (CA or other national designations, **American Institute of Certified Public Accountants AICPA** and **Chartered Certified Accountant** (**ACCA**).

See also

[edit]

- **Constant item purchasing power accounting**
- **DIRTI 5**
- **Historical cost accounting**
- **Philosophy of accounting**
- **Accounting analyst**, whose job involves evaluating public company financial statements
- **Management accounting**, the other main division of accounting
- **Bookkeeping**

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Further reading

[edit]

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Accounting

Type	**Financial accounting** **Cost accounting** **Management accounting** **Forensic accounting** **Fund accounting** **Governmental accounting** **Social accounting** **Tax accounting**
Statements	**Income statement** **Balance sheet** **Statement of changes in equity** **Cash flow statement**
Terms	**Debits and credits** **Revenue** **Cost of goods sold** **Operating expense** **Capital expenditure** **Depreciation** **Gross income** **Net income**

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- **Germany**
- **Japan**

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- **Addressing Disparities in Reimbursement Rates**

Frequently Asked Questions

How do bundled payment models impact the accuracy and complexity of medical coding?

Bundled payment models can increase the complexity of medical coding as they require precise documentation to ensure all services within a bundle are accurately captured. Coders must navigate various procedures and diagnoses that fall under a single payment, necessitating detailed and exact coding practices to prevent revenue loss or compliance issues.

What challenges do coders face in ensuring compliance with bundled payment regulations?

Coders face challenges such as staying updated with constantly changing regulations, understanding specific payer requirements for bundled payments, and maintaining comprehensive documentation. Ensuring compliance requires thorough familiarity with both the clinical aspects of patient care and the administrative rules governing these payments.

How does the transition from fee-for-service to bundled payments affect coder workload?

The transition increases coder workload due to the need for more detailed reviews of patient records. Coders must ensure that all relevant services are included in a bundle, which involves cross-referencing multiple service lines and potentially collaborating more closely with clinical staff to verify accurate reporting.

What strategies can be employed to improve coding accuracy in bundled payment systems?

Strategies include ongoing education and training for coders on new billing guidelines, implementing robust auditing processes to catch errors early, using advanced software tools for better data management, and fostering interdisciplinary communication between coders, clinicians, and billing departments to align on documentation standards.

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