

Accounting Investigation

Name:

Institution:

Course Title:

Assignment Name:

Instructor:

Date:

Accounting Investigation

Part 1: Financial Document Data Knowledge

- **What are the 4 main financial statements, what's on them, and what they are used for?**

“Balance Sheet”, “Statement of Cash Flows”, “Income Statement”, and “Statement of Shareholders’ Equity” are the four significant financial statements. Each of these helps in evaluating the financial standing of the company. Firstly, the “Balance Sheet” provides a “snapshot” of the company’s “assets” and “liabilities” which allows stakeholders to exactly know what a company owns and owes in the distinct market. Secondly, the “Statement of Cash Flows” displays the division of cash outflows and inflows into the company’s investing, operating, and financing activities (Nitsenko et al., 2017). It is mainly used for the identification of a company’s liquidity and its ability to generate cash. Thirdly, the “Income Statement” summarizes the revenues and profits of the company over a given period of time. Lastly, the “Statement of Shareholders’ Equity” provides insights into how profits are divided and how new investments or withdrawals by the shareholders impact shareholders’ equity.

- **How does the data flow from the transaction (e.g. MRI scan) to financial statements? Use the following key terms in your response: transaction, journal entry, general ledger, financial statement.**

The data flows from the transaction, such as an MRI scan, to financial statements through the accounting system. This system is recorded in the journal entry which is then posted to the general ledger which is further used to prepare the financial statements. A “transaction for financial accounting” purposes is an “economic event” that has a “monetary impact on the

financial statements” where each “monetary transaction is recorded in the journal” (Nitsenko et al., 2017). Furthermore, journal entries are then sorted by “financial account” and posted to a general ledger where “ledger balances are transferred” to the financial statements. For instance, a patient receives an MRI scan at a hospital which generates a financial transaction because the patient or their insurance company will be billed for the scan service.

- **In the healthcare industry, who are some of the key internal and external users of financial statements? What are the main day-to-day business decisions made by using financial statements (e.g., eligibility for an external loan)?**

In the healthcare industry, internal users of financial statements include hospital management and administrators, finance and accounting departments, board of directors, and physicians and clinicians. On the other hand, external users of financial statements include patients, investors and shareholders, government and regulatory agencies, and lenders and creditors. Some of the day-to-day business decisions made by using financial statements include negotiating contracts with insurers and vendors, strategic planning with the board of directors and top management, and cost control while adjusting treatment plans and procedures with physicians and clinicians. Several other day-to-day decisions influenced by financial statements include compliance and reporting to make necessary adjustments to avoid penalties and resource allocation to ensure that departments with higher profitability receive adequate support.

Part 2: Financial

Financial document line item	Corresponding \$ amount on the consolidated financial statement (use the 2021 column)	Example included in each line item
<i>Example: Supplies</i>	\$968,544	<i>Medical supplies, pharmaceutical expenses</i>
Cash and cash equivalents	\$407,044	Short-term investments, bank deposits
Patient accounts receivables	\$764,948	Insurance reimbursements due, outstanding patient bills
Prepaid expenses	\$133,328	Advance payments for rent
Accounts payable and accrued liabilities	\$609,021	Utility bills, unpaid vendor invoices
Property and equipment	\$3,619,451	Hospital buildings, office furniture, medical equipment
Long-term debt	\$2,135,075	Long-term equipment loans
Net patient service revenue	\$6,052,048	Income from outpatient services, surgeries, and patient treatments
Salaries and benefits	\$2,813,222	Health insurance, employee wages
Depreciation and amortization	\$289,263	Annual depreciation of medical equipment

Financial document line item	Corresponding \$ amount on the consolidated financial statement (use the 2021 column)	Example included in each line item
Interest and investment income	\$663,344	Interest from saving accounts, earnings from investments

References

- Nitsenko, V. S., Mukoviz, V. S., & Sharapa, O. M. (2017). Accounting of transaction expenses of economic entities. *Науковий Вісник Полісся*, 2(4 (12)), 71–78.
- Munoz, Humberto. *Reviewing Statement Types, Part II* [Video]. University of Phoenix.