Operational expenses and payable liability account

Additionally, if the slower receipt of payments impacts the organization's ability to quickly pay its own operational expenses then you might also see an increase in the accounts payable liability account. Conversely, on the Income Statement, one would expect to see an increase in the patient revenue account since the deal was that the NCO had longer to pay in trade for a HIGHER reimbursement rate. Also, on the Income Statement as the receivables account increases then you would also see an increase in the Provision for Doubtful Accounts.

How might negotiating an NCO contract affect financial statements? The accounts that will be impacted on the Balance Sheet (which was the nature Of my question) are as follows. How does the Provision for Doubtful Accounts work? Posted by ROBERT ADAMS atlas 16, 2015, 8: 09 PM If a hospital such as FCC renegotiated an NCO contract that allowed the NCO to take longer to pay in exchange for a higher reimbursement rate, this would increase patient revenue on the Income Statement because the NCO is paying at a higher rate.

However, since the NCO has longer to pay then the Patient Accounts Receivable (A/R) on the Balance Sheet would also increase. As this A/R account increases, the amount booked as Provision for Doubtful Accounts would also increase since this expense is often simply a percentage of the A/R account. OR a more real world response: In the case of FCC, they treat the Provision of Doubtful Accounts as an expense account. This is an account that is used to 'book" the projected losses associated with carrying a receivables account on the Balance Sheet for patient revenue.

You might ask why an organization would need to do this. Well anytime you have a receivables account there is some likelihood that some of that account will go uncollected. Generally, an organization can use historical data to project what percentage of a receivable account might not be collected. Regarding this assignment, FCC renegotiated a primary managed care contract which allowed the NCO longer to pay in exchange for a higher reimbursement rate. The impact of the NCO having longer to pay means that the receivables account would grow.

If FCC applies its historical percentage for uncorrectable to a growing receivables account then the Provision for Doubtful Accounts would naturally increase as well. How does purchasing extra inventory change financial statements? As FCC purchases inventory it is placed on the Balance Sheet as an asset. It is VERY important for you all to understand that the supplies expense will not increase on the Income Statement UNTIL the supplies are actually used by FCC. For instance, if FCC purchased $1 of extra inventory this loud be listed as an asset on the Balance Sheet.