

American Dental Association  
Technical Report No. 1010

# Accounting Performance For Dental Information Systems

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**AMERICAN DENTAL ASSOCIATION TECHNICAL REPORT NO. 1010 FOR  
ACCOUNTING PERFORMANCE FOR DENTAL INFORMATION SYSTEMS**

The Council on Dental Practice of the American Dental Association has approved American Dental Association Technical Report No. 1010 for Accounting Performance for Dental Information Systems. Working Groups of the ADA Standards Committee on Dental Informatics (SCDI) formulate this and other technical reports and specifications for the application of information technology and other electronic technologies to dentistry's clinical and administrative operations. The ADA SCDI has representation from appropriate interests in the United States in the standardization of information technology and other electronic technologies used in dental practice. The ADA SCDI confirmed approval of ADA Technical Report No. 1010 on May 17, 2002.

The ADA SCDI thanks Scott Trapp, Omaha, NE, as Chairman of Subcommittee 10 on Dental Informatics Architecture and Devices, for leading the development effort.

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### **FOREWORD**

(This foreword does not form a part of American Dental Association Technical Report No. 1010 for Accounting Performance for Dental Information Systems)

In 1992, there was interest in the standardization of clinical information systems related to electronic technology in the dental environment. After evaluating current informatics activities, a Task Group of the ANSI Accredited Standards Committee MD156 (ASC MD156) was created by the ADA to initiate the development of technical reports, guidelines, and standards on electronic technologies used in dental practice. In 1999, the ADA established the ADA Standards Committee on Dental Informatics (SCDI). The ADA SCDI is currently the group that reviews and approves proposed American National Standards (ANSI approved) and technical reports developed by the standards committee's working groups. The ADA became an ANSI accredited standards organization in 2000.

The scope of the ADA SCDI is:

*"To promote patient care and oral health through the application of information technology to dentistry's clinical and administrative operations; to develop standards, specifications, technical reports, and guidelines for: components of a computerized dental clinical workstation; electronic technologies used in dental practice; and interoperability standards for different software and hardware products which provide a seamless information exchange throughout all facets of healthcare."*

Scott Trapp, Chairman, ADA SCDI Subcommittee 10 on Dental Informatics Architecture and Devices, prepared this technical report at the request of the ADA Standards Committee on Dental Informatics.

## **AMERICAN DENTAL ASSOCIATION TECHNICAL REPORT NO. 1010 FOR ACCOUNTING PERFORMANCE FOR DENTAL INFORMATION SYSTEMS**

### **INTRODUCTION**

This technical report consists of a Chart of Accounts for Computerized Dental Accounting Systems. This paper is the compilation of work by the volunteers of ADA Informatics Standards Committee Working Group 10.6 of Practice Management Performance for Dental Information Systems. The purpose of this report is to define the basic accounts used for dental accounting in the computer-based environment and propose guidelines for use in standards formation.

The Chart of Accounts for Computerized Dental Accounting Systems was developed to provide dentists with improved information on which to base management decisions and facilitate tax preparation. This chart of accounts is to aid in the dissemination of financial information to both internal and external users. Internally the information gathered in the accounting system is used to improve the dental practice's accounting and financial reports. This will provide the dentist with accounting reports to better gauge the financial health of the practice. The external reporting of the information is used to facilitate benchmarking and performance measures compiled from data collected from various survey information and the required reporting to government agencies for tax purposes.

This chart of accounts was developed to meet the needs of a diverse profession, which has led to the development of two charts of accounts. The first is to satisfy the needs of the dentist that report on a cash basis and the second is for those, which utilize an accrual basis for their accounting. It is anticipated that each dental practice implementing the Chart of Accounts for Computerized Dental Accounting Systems will choose to use only those accounts relevant to their particular needs, rather than all accounts presented. On the other hand, some practices may instead elect to add accounts not in the chart of accounts listed here.

### **IMPLEMENTATION GUIDELINES**

The dentist will consult with her/his accountant to determine which accounts and what level(s) of detail to use. A simplified chart of the accounts actually being used should be prepared for the bookkeeper that will be making the decisions as to which accounts given revenue or expenditure should be posted to. The chart should have just two columns--one with account numbers and the other with account titles. Postings should be made only to the lowest level sub-accounts, with the basic accounts serving only as summaries of the sub-accounts listed below them.

### **REASONS FOR DEVELOPMENT OF A STANDARD CHART OF ACCOUNTS**

As the healthcare environment become ever more competitive, and margins continue to narrow, dentists face the ever-increasing challenge to make sound management decisions so that their practices remain viable and profitable. Sound management decisions in turn require sound information on which to base them. One primary source of such information is the practice's financial reports, in which the myriad transactions that occur every day can be reduced to the common denominator of money, allowing them to be mathematically manipulated, contrasted and compared. Not only will a dentist manager want to compare current financial results with projected and past results, but with the results of other comparable dental practices.

More than 115,000 dental practices represent businesses with wide variations in size and structure. The accounting requirements vary greatly. Some offices have multiple locations, partners, associates, and cost