


|   |                     |                                     |
|---|---------------------|-------------------------------------|
|  <p>B.S. Aquino Drive,<br/>Bacolod City,<br/>Negros Occidental,<br/>6100</p> <p>DR. PABLO O. TORRE<br/>MEMORIAL HOSPITAL</p> | Document Code:      | DPOTMH-B-8-P05                      |
|   | Effective Date:     | 03-30-2021                          |
|   | Document Type:      | Policy                              |
|   | Page Number:        | 1 of 3                              |
|   | Department/Section: | Budget and Cost                     |
|   | Document Title:     | <b>ACTIVITY-BASED COSTING (ABC)</b> |

### **PURPOSE:**

The a documented procedure on computing the costs for the different services or procedures offered by the hospital.

### **LEVEL:**

Chief Finance Officer, Controller, Budget & Cost Manager, Budget & Cost Researcher, Budget Holder

### **DEFINITION OF TERMS:**

1. Activity-Based Costing. Is an accounting method of assigning overhead and indirect costs to products and services.


### **POLICY:**

1. It is the policy of the Management to identify the actual cost incurred for each of its hospital services or procedures to ensure appropriate computation of the costs.
2. The updating of the cost of drugs, supplies, direct labor and overhead of the existing hospital service or procedures are based on the current cost and approved budget for the year.
3. The updating is done right after the approval of the budget every year or as deemed necessary by management.

### **DOCUMENTATION:**

Revised Policy



|   |                     |                                     |
|---|---------------------|-------------------------------------|
|  <p>B.S. Aquino Drive,<br/>Bacolod City,<br/>Negros Occidental,<br/>6100</p> <p>DR. PABLO O. TORRE<br/>MEMORIAL HOSPITAL</p> | Document Code:      | DPOTMH-B-8-P05                      |
|   | Effective Date:     | 03-30-2021                          |
|   | Document Type:      | Policy                              |
|   | Page Number:        | 2 of 3                              |
|   | Department/Section: | Budget and Cost                     |
|   | Document Title:     | <b>ACTIVITY-BASED COSTING (ABC)</b> |


### **DISSEMINATION:**

1. Hospital Communicator
2. Budget Hearing Schedule via the Communicator

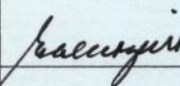
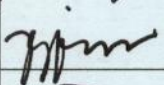

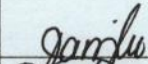
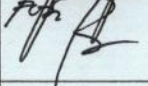
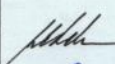

### **REFERENCE:**


1. Revenue-[www.investopedia.com.>terms>revenue](http://www.investopedia.com.>terms>revenue)
2. Operating Expenses-[www.investopedia.com...>Accounting](http://www.investopedia.com...>Accounting)



|   |                     |                                     |
|---|---------------------|-------------------------------------|
|  <p>B.S. Aquino Drive,<br/>Bacolod City,<br/>Negros Occidental,<br/>6100</p> <p>DR. PABLO O. TORRE<br/>MEMORIAL HOSPITAL</p> | Document Code:      | DPOTMH-B-8-P05                      |
|   | Effective Date:     | 03-30-2021                          |
|   | Document Type:      | Policy                              |
|   | Page Number:        | 3 of 3                              |
|   | Department/Section: | Budget and Cost                     |
|   | Document Title:     | <b>ACTIVITY-BASED COSTING (ABC)</b> |

**APPROVAL:**

|                        | Name/Title   | Signature   | Date      |
|------------------------|--|---|-----------|
| Prepared by:           | <b>MA. LIZA A. LESAGUIS, MBA, FPCHA</b><br>Budget & Cost Manager                                     |    | 4/4/22    |
| Verified:              | <b>JEMELYN G FERRER, CPA, MBA, FPCHA</b><br>Controller - DA  |    | 4/5/22    |
| Reviewed:              | <b>DENNIS C. ESCALONA, MN, FPSQua</b><br>Quality Assurance Supervisor                                |    | 4/5/22    |
| Recommending Approval: | <b>JULIE ANNE CHRISTINE J. KO, CPA, MBA, FPCHA</b><br>Chief Finance Officer - DA                     |  | 4/6/2022  |
|                        | <b>HENRY F. ALAVAREN, MD, FPSMID</b><br>Total Quality Division Officer                               |  | 4/2/2022  |
|                        | <b>SOCORRO VICTORIA L. DE LEON, CPA, MBA, FPCHA, PhD</b><br>Vice President - Chief Operating Officer |  | 4/17/2022 |
| Approved:              | <b>GENESIS GOLDI D. GOLINGAN</b><br>President and CEO  |  | 6/23/22   |

|   |                     |                                     |
|---|---------------------|-------------------------------------|
|  <p>DR. PABLO O. TORRE<br/>MEMORIAL HOSPITAL</p> | Document Code:      | DPOTMH-B-8-P05-S01                  |
|   | Effective Date:     | 03-30-2021                          |
|   | Document Type:      | Standard Operating Procedure        |
|   | Page Number:        | 1 of 3                              |
|   | Department/Section: | Budget and Cost                     |
|   | Document Title:     | <b>ACTIVITY-BASED COSTING (ABC)</b> |

### **PURPOSE:**

This is to establish a documented procedure on computing the costs for the different services offered by the hospital.

### **SCOPE:**

Applies to all Budget and Cost Department staff of Dr. Pablo O. Torre Memorial Hospital


### **PERSON RESPONSIBLE:**

Budget Holder, Cost Researcher, Budget & Cost Manager, Controller, Chief Finance Officer


### **PROCEDURE:**

1. The Budget Holder identifies the hospital service or procedure to be offered to the patients and clients to be added in the system.
2. The Budget Holder identifies the following charges that are indirectly charged to the patient or client:
  - 2.1 Supplies and its usage
  - 2.2 Processing time
  - 2.3 Equipment used
3. The Budget Holder submits the hospital service or procedure to be costed to the Budget & Cost Department.
4. The Budget Researcher determines the cost computation based on the submitted data by the Budget Holder, and researches then the following:
  - 4.1 Cost of Supplies-is based on the current cost define in the system.
  - 4.2 Processing time-the duration of the hospital service or procedure.
  - 4.3 Equipment-is based on the current price of the equipment by computing the straight line depreciation of the equipment.




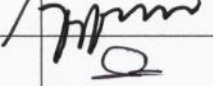





|   |                     |                                     |
|---|---------------------|-------------------------------------|
|  <p>B.S. Aquino Drive,<br/>Bacolod City,<br/>Negros Occidental,<br/>6100</p> <p>DR. PABLO O. TORRE<br/>MEMORIAL HOSPITAL</p> | Document Code:      | DPOTMH-B-8-P05-S01                  |
|   | Effective Date:     | 03-30-2021                          |
|   | Document Type:      | Standard Operating Procedure        |
|   | Page Number:        | 2 of 3                              |
|   | Department/Section: | Budget and Cost                     |
|   | Document Title:     | <b>ACTIVITY-BASED COSTING (ABC)</b> |

5. The Cost Researcher adds the standard other costs that are part of the hospital service or procedure.
  - 5.1 Approved other overhead expenses budget of the requested unit.
  - 5.2 Approved admin cost allocation.
  - 5.3 Cost of meal if applicable
  - 5.4 Return Medicine if applicable
6. The Cost Researcher consolidates all the costs of hospital service or procedure.
7. The Cost Researcher generates the costing requested by the Budget Holder.
8. The Cost Researcher submits the costing to the Budget & Cost Manager for review and validation of the computation.
9. The Budget & Cost Manager checks and validates the output.
10. The Budget & Cost Manager forwards the costing to the requesting Budget holder for validation of the usage of supplies and its conversion and the cost of the hospital service or procedure.
11. The Budget Holder validates the supplies and makes the changes, if deemed necessary.
12. The Budget Holder submits to the Budget & Cost Department to considered the changes.
13. The Cost Researcher reflects the changes in the costing and then, submits to the Budget Holder for confirmation and signature.
14. The Budget & Cost Manager issues and signs the official memo.
15. The Budget Holder confirms and signs the official memo.
16. The Controller notes the official memo.
17. The Corporate Finance Officer approves the official memo.

|   |                     |                                     |
|---|---------------------|-------------------------------------|
|  <p>DR. PABLO O. TORRE<br/>MEMORIAL HOSPITAL</p> | Document Code:      | DPOTMH-B-8-P05-S01                  |
|   | Effective Date:     | 03-30-2021                          |
|   | Document Type:      | Standard Operating Procedure        |
|   | Page Number:        | 3 of 3                              |
|   | Department/Section: | Budget and Cost                     |
|   | Document Title:     | <b>ACTIVITY-BASED COSTING (ABC)</b> |

B.S. Aquino Drive,  
Bacolod City,  
Negros Occidental,  
6100

### APPROVAL:

|                        | Name/Title   | Signature   | Date       |
|------------------------|--|---|------------|
| Prepared by:           | <b>MA. LIZA A. LESAGUIS, MBA, FPCHA</b><br>Budget & Cost Manager                                     |    | 4/4/22     |
| Verified:              | <b>JEMELYN G FERRER, CPA, MBA, FPCHA</b><br>Controller - DA  |    | 4/5/22     |
| Reviewed:              | <b>DENNIS C. ESCALONA, MN, FPSQua</b><br>Quality Assurance Supervisor                                |    | 4/5/2022   |
| Recommending Approval: | <b>JULIE ANNE CHRISTINE J. KO, CPA, MBA, FPCHA</b><br>Chief Finance Officer - DA                     |  | 4/6/2022   |
|                        | <b>HENRY F. ALAVAREN, MD, FPSMID</b><br>Total Quality Division Officer                               |  | 6/2/2022   |
|                        | <b>SOCORRO VICTORIA L. DE LEON, CPA, MBA, FPCHA, PhD</b><br>Vice President - Chief Operating Officer |  | 06/17/2022 |
| Approved:              | <b>GENESIS GOLDI D. GOLINGAN</b><br>President and CEO  |  | 6/23/24    |




DR. PABLO O. TORRE  
MEMORIAL HOSPITAL

B.S. Aquino Drive,  
Bacolod City,  
Negros Occidental,  
6100

|                     |                                     |
|---------------------|-------------------------------------|
| Document Code:      | DPOTMH-B-8-P05-WI01                 |
| Effective Date:     | 03-30-2021                          |
| Document Type:      | Work Instruction                    |
| Page Number:        | 1 of 3                              |
| Department/Section: | Budget and Cost                     |
| Document Title:     | <b>ACTIVITY-BASED COSTING (ABC)</b> |

| KEY TASKS  | PERSON RESPONSIBLE       |
|--|--------------------------|
| 1. Identifies the hospital service or procedure to be offered to the patients and clients to be added in the system.   | Budget Holder            |
| 2. Identifies the charges that are indirectly charged to the patient or client.  |                          |
| 3. Submits the hospital service or procedure to be costed to the Budget & Cost Department.   | Budget & Cost Supervisor |
| 4. Determines the cost computation based on the submitted data by the Budget Holder  | Budget Researcher        |
| 5. Adds the standard other costs that are part of the hospital service or procedure.   | Cost Researcher          |
| 6. Consolidates all the costs of hospital service or procedure.  |                          |
| 7. Generates the costing requested by the Budget Holder.   |                          |
| 8. Submits the costing to the Budget & Cost Manager for review and validation of the computation.  |                          |
| 9. Checks and validates the output.  | Budget & Cost Manager    |
| 10. Forwards the costing to the requesting Budget holder for validation of the usage of supplies and its conversion and the cost of the hospital service or procedure. |                          |
| 11. Validates the supplies and makes the changes, if   |                          |



|   |                     |                                     |
|---|---------------------|-------------------------------------|
|  <p>B.S. Aquino Drive,<br/>Bacolod City,<br/>Negros Occidental,<br/>6100</p> <p>DR. PABLO O. TORRE<br/>MEMORIAL HOSPITAL</p> | Document Code:      | DPOTMH-B-8-P05-WI01                 |
|   | Effective Date:     | 03-30-2021                          |
|   | Document Type:      | Work Instruction                    |
|   | Page Number:        | 2 of 3                              |
|   | Department/Section: | Budget and Cost                     |
|   | Document Title:     | <b>ACTIVITY-BASED COSTING (ABC)</b> |

|  |                           |
|--|---------------------------|
| deemed necessary.  | Budget Holder             |
| 12. Submits to the Budget & Cost Department to considered the changes.   |                           |
| 13. Reflects the changes in the costing and then, submits to the Budget Holder for confirmation and signature. | Cost Researcher           |
| 14. Issues and signs the official memo.  | Budget & Cost Manager     |
| 15. Confirms and signs the official memo.  | Budget Holder             |
| 16. Notes the official memo.   | Controller                |
| 17. Approves the official memo.  | Corporate Finance Officer |



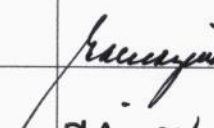
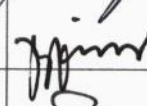

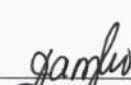
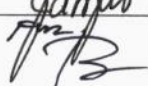




DR. PABLO O. TORRE  
MEMORIAL HOSPITAL

B.S. Aquino Drive,  
Bacolod City,  
Negros Occidental,  
6100

|                     |                              |
|---------------------|------------------------------|
| Document Code:      | DPOTMH-B-8-P05-WI01          |
| Effective Date:     | 03-30-2021                   |
| Document Type:      | Work Instruction             |
| Page Number:        | 3 of 3                       |
| Department/Section: | Budget and Cost              |
| Document Title:     | ACTIVITY-BASED COSTING (ABC) |

**APPROVAL:**

|                        | Name/Title   | Signature   | Date      |
|------------------------|--|---|-----------|
| Prepared by:           | <b>MA. LIZA A. LESAGUIS, MBA, FPCHA</b><br>Budget & Cost Manager                         |    | 4/4/22    |
| Verified by:           | <b>JEMELYN G. FERRER, CPA, MBA, FPCHA</b><br>Controller                                  |   | 4/5/22    |
| Reviewed:              | <b>DENNIS C. ESCALONA, MN, FPSQua</b><br>Quality Assurance Supervisor                    |   | 4/5/2022  |
| Recommending Approval: | <b>JULIE ANNE CHRISTINE J. KO, CPA, MBA, FPCHA</b><br>Corporate Finance Officer - DA     |  | 4/6/2022  |
|                        | <b>HENRY F. ALAVAREN, MD, FPSMID, FPSQua</b><br>Total Quality Division Officer           |  | 6/2/2022  |
|                        | <b>SOCORRO VICTORIA L. DE LEON, CPA, MBA, FPCHA, PhD</b><br>VP - Chief Operating Officer |  | 6/17/2022 |
| Approved:              | <b>GENESIS GOLDI D. GOLINGAN</b><br>President and CEO                                    |  | 6/23/22   |

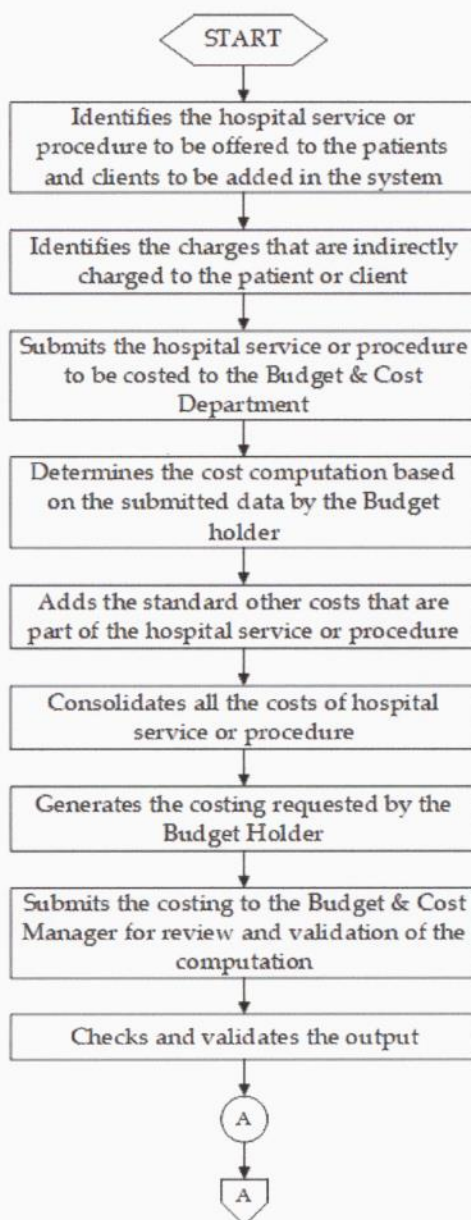


DR. PABLO O. TORRE  
MEMORIAL HOSPITAL

B.S. Aquino Drive,  
Bacolod City,  
Negros Occidental,  
6100

|                     |                                     |
|---------------------|-------------------------------------|
| Document Code:      | DPOTMH-B-8-P05-FC01                 |
| Effective Date:     | 06-15-2022                          |
| Document Type:      | Flowchart                           |
| Page Number:        | 1 of 3                              |
| Department/Section: | Budget and Cost                     |
| Document Title:     | <b>ACTIVITY-BASED COSTING (ABC)</b> |

## FLOWCHART



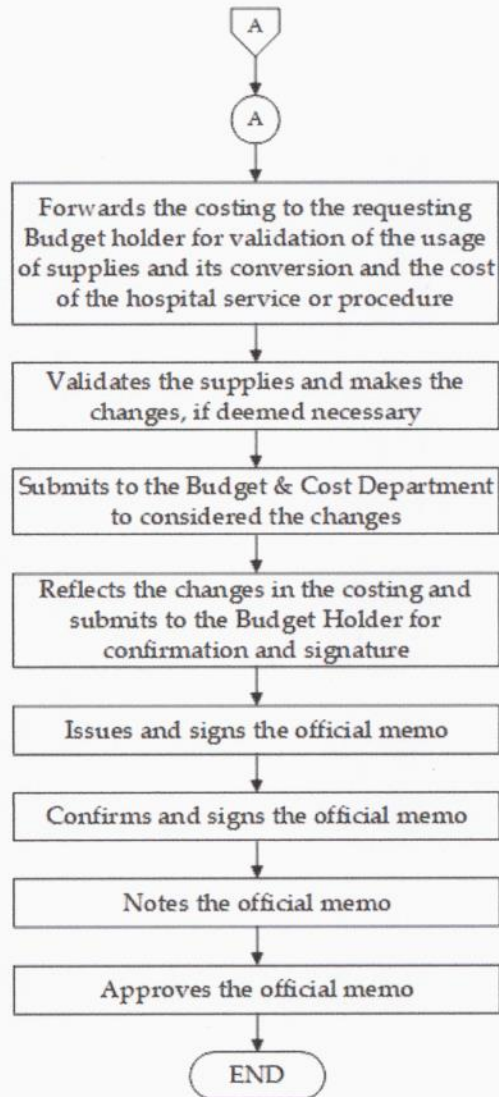





DR. PABLO O. TORRE  
MEMORIAL HOSPITAL

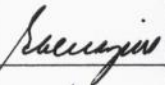
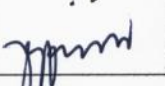

B.S. Aquino Drive,  
Bacolod City,  
Negros Occidental,  
6100

|                     |                                     |
|---------------------|-------------------------------------|
| Document Code:      | DPOTMH-B-8-P05-FC01                 |
| Effective Date:     | 06-15-2022                          |
| Document Type:      | Flowchart                           |
| Page Number:        | 2 of 3                              |
| Department/Section: | Budget and Cost                     |
| Document Title:     | <b>ACTIVITY-BASED COSTING (ABC)</b> |



|  |                     |                                     |
|--|---------------------|-------------------------------------|
|  <p><b>DR. PABLO O. TORRE<br/>MEMORIAL HOSPITAL</b></p> <p>B.S. Aquino Drive,<br/>Bacolod City,<br/>Negros Occidental,<br/>6100</p> | Document Code:      | DPOTMH-B-8-P05-FC01                 |
|  | Effective Date:     | 06-15-2022                          |
|  | Document Type:      | Flowchart                           |
|  | Page Number:        | 3 of 3                              |
|  | Department/Section: | Budget and Cost                     |
|  | Document Title:     | <b>ACTIVITY-BASED COSTING (ABC)</b> |

**APPROVAL:**

|                        | Name/Title   | Signature   | Date       |
|------------------------|--|---|------------|
| Prepared by:           | <b>MA. LIZA A. LESAGUIS, MBA, FPCHA</b><br>Budget & Cost Manager                                   |    | 6/8/22     |
| Verified:              | <b>JEMELYN G. FERRER, CPA, MBA, FPCHA</b><br>Controller  |    | 6/8/22     |
| Reviewed:              | <b>DENNIS C. ESCALONA, MN, FPCHA, FPSQua</b><br>Quality Assurance Supervisor                       |    | 6/08/2022  |
| Recommending Approval: | <b>JULIE ANNE CHRISTINE J. KO, CPA, MBA, FPCHA</b><br>Chief Finance Officer                        |   | 6/10/2022  |
|                        | <b>FREDERIC IVAN L. TING, MD</b><br>OIC- Total Quality Division                                    |  | 6/16/2022  |
|                        | <b>SOCORRO VICTORIA L. DE LEON, CPA, MBA, FPCHA, PhD</b><br>Vice President-Chief Operating Officer |  | 06/17/2022 |
| Approved:              | <b>GENESIS GOLDI D. GOLINGAN</b><br>President and CEO  |  | 6/28/22    |