Accounting and Financial in Pharmacy Practice: Managerial Accounting

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ABSTRACT

Objectives: To explore the managerial accounting policy and procedures in pharmacy practice as a new initiative in Saudi Arabia.

Methods: It was a narrative review of the pharmacy practice’s managerial accounting policy and procedures. Litterateur searched various databases, including PubMed, Medline, and Google Scholar. The search period is from the 1980s until 15 October 2022. The term is in full-text English and includes Case Reports, Classical Articles, Clinical Conferences, Clinical Studies, Clinical Trials, Evaluation Studies, Government Publications, Guidelines, Meta-Analysis, Observational Studies, Practice Guidelines, Randomized Controlled Trials, Reviews, Systematic Reviews, with Humans subject. All hospital or community pharmacy services are included in a search term. Besides, the National and international guidelines of general infection control in hospital practice. The committee of pharmacy accounting policy and procedures formulated and consisted of various expert members. That includes clinical pharmacists, accountant specialists, and financial experts. The guidelines of the policy draft by one member by the second member were reviewed and corrected. The third revision was by the accountant specialist. The topic emphasizes managerial accounting of the Pharmacy policy.

Results: The managerial accounting policy and procedures in pharmacy practice calculate the costs of products sold, working fees, labor costs, and other costs related to running a pharmacy. Managerial accounting in pharmacy practice can analyze the prices of various products and services, track sales revenue and profit margins, and improve pharmacy operations’ efficiency, effectiveness, and profitability. The steps of cost calculation policy and procedures were illustrated in the review.

Conclusion: The managerial accounting policy and procedures in pharmacy practice is a new pharmacy management initiative. The managerial accounting policy and procedures in pharmacy practice can help pharmacy managers and administrators make effective financial decisions and plan pharmacy budgets and product pricing. Therefore, pharmacy career professionals in Saudi Arabia must implement the administrative-accounting policy and procedures in pharmacy practice.

Keywords: Accounting, Financial, Policy, Pharmacy, Managerial Accounting, Saudi Arabia.

INTRODUCTION

The national pharmacy administration programs were established several years back locally.[1] That's consistent with leadership development, Human Resources, continuous professional development, pharmacy practice standards, and pharmacy quality management.

[1] The pharmacist contact with the patients to distribute or sell the medications. The pharmacist must control the cost, revenues, and expenses of pharmaceutical care services and medical products at the hospital and community pharmacy business.[2-5] The recording of financial transactions should be recorded daily. Thus, the pharmacy business project needs an accounting and financial reporting system.[6-12] Moreover, the pharmacist must set up the cost or prices of all pharmacy operations, such as revenues, human resources, quality management, education, and technology costs. All those costs should be calculated to determine the products overall marketing or selling prices. Those items are called administrative accounting or managerial accounting.[6-12]

There are various advantages to implementing the managerial accounting system. The pharmacist can assign the selling prices of the pharmaceutical products and medical supplies and how much quantity should be sold monthly and annually. Managerial accounting helps the pharmacist set up a marketing plan and assess the pharmacy manager of budget allocation for each pharmacy product. The pharmacist can forecast the selling products, time for break even, and expenses required to reach the break-even.[6-12]

Although pharmacy practice requires managerial accounting policies and procedures. The topic is rarely reported either at local or international levels.[6-13] All managerial accounting policies and procedures apply to professional accountants or financial officers, not to pharmacists.[31-36] Furthermore, the authors were unaware of any publications on managerial accounting in pharmacy practice. This review declares the hospital or community pharmacy’s managerial accounting policies and procedures.

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METHODS

It is a narrative review of Financial and accounting in pharmacy practice. The literature search was performed using PubMed, Medline, and Google Scholar databases about specific pharmacy practice accounting and financial system topics. The search period was from the 1960s until 15 May 2023. The searched terms were in full-text English. They included Full text, Case Reports, Classical Articles, Clinical Conferences, Clinical Studies, Clinical Trials, Evaluation Studies, Government Publications, Guidelines, Meta-Analysis, Observational Studies, Practice Guidelines, Randomized Controlled Trials, Reviews, Systematic Reviews, Humans, in the English language. The pharmacy services included inpatient, outpatient, or ambulatory care pharmacy, satellite pharmacy, extemporaneous preparation, repackaging units, pharmacy store, drug information center, and clinical pharmacy services. Moreover, the national and international guidelines of general accounting and financial practice emphasizing pharmacy and healthcare settings were used as guides for writing the review.\(^{[8,13-30]}\) That's including guidelines from the Saudi Central Bank, Capital Market Authority, Saudi Organization for Certified Public Accountants (SOCPA), American Institute of Certified Public Accountants (AICPA), American Accounting Association (A.A.A), The International Auditing and Assurance Standards Board (IAASB), The International Accounting Education Standards Board (IAESB), The International Ethics Standards Board (IESBA), The International Public Sector Accounting Standards Board (IPSASB).\(^{[31-38]}\) The pharmacy Financial and accounting committee comprises experts, clinical pharmacists, and accouters. Some authors drafted the policy guidelines, and other authors reviewed them. The accountant specialist revised the draft. The policy included topics in the accounting cycle, visibility study in a pharmacy environment, pharmacy financial statement including income list, cash flow, budget sheet or balance sheet, electronic applications of accounting and financial in a pharmacy setting, quality of pharmacy Financial and accounting, competency of pharmacy Financial and accounting, and education and training of pharmacy Financial and accounting. The current topic emphasizes managerial accounting in pharmacy practice. The Appraisal of Guidelines, Research, and Evaluation (AGREE) guided the reporting of the results of this review.\(^{[19]}\)

The search methodology was done as follows:

Search: (pharmacy[Title/Abstract]) AND (Financial[Titl
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Translators

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pharmacy[MeSH Terms]: «pharmacy»[MeSH Terms] OR "pharmacies"[MeSH Terms]
accounting[MeSH Terms]: «accounting»[MeSH Terms]
policy[MeSH Terms]: «policy»[MeSH Terms]


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policy[MeSH Terms]: «policy»[MeSH Terms]

Managerial: “managerial”[All Fields] OR “managerialism”[All Fields] OR “managerially”[All Fields]
Accounting[MeSH Terms]: “accounting”[MeSH Terms]

Search: ((“pharmacy”[MeSH Terms]) AND (Financial[MeSH Terms]) AND (Managerial Accounting[MeSH Terms])) Filters: Full text, Case Reports, Classical Article, Clinical Conference, Clinical Study, Clinical Trial, Evaluation Study, Government Publication, Guideline, Meta-Analysis, Observational Study, Practice Guideline, Randomized Controlled Trial, Review, Systematic Review, Humans, English

The pharmacist should follow the instructions of policy and procedures. The pharmacist must request a budget income statement in advance. That includes all estimated revenue from all services and amounts expected to grow or grow over the next year. You must offer to reduce or reduce all estimated expenses as planned by shrinking or expanding new projects.

A pharmacist must prepare a balance statement and estimate total asset and expense changes. Then, on the other hand, liability to capital and earnings due to planned project growth or contraction, expansion or contraction;

On a monthly or quarterly basis, the pharmacy monitors all three forecasted, estimated, or budgeted financial statements, including active and current accounts, compares them, and agrees with the projected financial statements. It would be best to analyze the reasons for doing so and correct or take action on the n the remaining financial year.

Cost accounting
Pharmacists should be familiar with various product cost calculations, such as the typical prices calculated by including.

Cost of marketing that's including the direct cost of packing and labels, the indirect cost of the sales department, and the cost of marketing services like health insurance for medications errors.

| Table 1: Cost of material involved in the preparation of intravenous medication. |
|-----------------|-----------------|
| **Direct cost**  | **Indirect cost** |
| Medications     | Antiseptics     |
| Piggyback       | Porters         |
| Syringe and needles | Rent the preparation places. |
| Package and labels | Supervisor of preparation |
| LMFH equipment  | Administrators of unit |
| Pharmacy tech preparation | Transportation |
| Pharmacist preparation | Marketing services |
| Stoking or inventory of personal | Maintenance of LMFH |
| Sales personnel  | Health insurance for medications errors |

<table>
<thead>
<tr>
<th><strong>Variable cost</strong></th>
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<tbody>
<tr>
<td>Rent the preparation places.</td>
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<td>LMFH equipment</td>
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<td>Porters</td>
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<tr>
<td>Stoking or inventory of personal</td>
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<tr>
<td>Sales personnel</td>
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<tr>
<td>Supervisor of preparation</td>
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<tr>
<td>Administrators of unit</td>
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<tr>
<td>Transportation</td>
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<tr>
<td>Marketing services</td>
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<tr>
<td>Maintenance of LMFH</td>
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<tr>
<td>Health insurance for medications errors</td>
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The cost of products is based on the number of preparation and variable costs. If you divide the variable cost by the number of preparation, you will come to the cost of preparation. If the number of preparation increases, the variable and product costs will be the same. However, if calculated based on a fixed price, the cost of products will decrease by increasing the number of preparations.

The pharmacist can calculate the cost of the operation used for preparation equal to the total fixed price of preparation times divided by the procedure's availability. Besides, the pharmacist can calculate the cost of the operation not used for preparation equal to the total fixed price of preparation times operation not used divided by availability operation; that is, you can determine the energy used or non-user for the procedure to prepare the intravenous product.

The pharmacist can calculate the break-even and number of products or cost sales need to reach this point by equation. The price of sales products times the number of units equals fixed expenses plus variable expenses. The variable expenses are equal to the variable cost of production time number of the products. As a result, the price of sales products times the number of units is equal to fixed expenses plus the variable cost of production time. Then you can calculate the number of products needed to break even, and the number of products times costs sales, you will get the cost sales needed to break even.

The pharmacist can calculate the number of units for one product to break even by the following equation. The number of products equals fixed expenses divided by price sales minus variable expenses (contribute margin). If the pharmacist wishes to reach break-even for each product equal to the number of total products times the percentage of sales, then calculate the net product for each product by the number of one product times price sales. Make this calculation for each product alone. The sum of all products equals break even for all products, and the sum of all net profit equals the total product of profit for break-even.

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CONCLUSION
The managerial accounting policy and procedures in pharmacy practice as a new initiative project of pharmacy administration services. It explores the price calculations of various products and operations of pharmacy services. Managerial accounting in pharmacy practice is a vital branch of accounting required for pharmacy managers and administrations used for effective and efficient pharmacy performances and operations. Besides, the monitoring of adherence to accounting standards and regulations. The managerial accounting policy and procedures in pharmacy practice are a sessional part of pharmacy management and highly demand pharmacy practice in Saudi Arabia.

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CONFLICT OF INTEREST
The authors declare that there is no conflict of interest.

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Consent for Publications
Informed consent was obtained from all the participants.


