

Receivables and Payables in Operational Cash Flow: Case Study from a Hospital in Dumai City, Indonesia

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ABSTRACT

Accounts receivable are corporate assets or a collection of company invoices from selling products or services using a deferred sales system for a predetermined period. Meanwhile, trade debt is a company's obligation from purchasing products or services in the past and must be paid immediately within a specific time frame. Furthermore, Operational Cash Flow is a report that provides cash inflows and outflows associated with a company's operations during a specific period and explains the sources of cash revenues and expenditures. The research intends to examine the impact of Accounts Receivable and Accounts Payable on Operational Cash Flow at XYZ Hospital. This study used a qualitative research method. This study analyzed what happens to Accounts Receivable and Payable on Operational Cash Flow. According to the findings of this study, Hospital XYZ's accounts payable and receivable management followed standard operating procedures (SOP). However, it has not been completely implemented regarding monitoring, and there are various roadblocks.

Keywords: Accounts receivable, Accounts payable, Cash flow, Hospital.

I. Introduction

Accounts receivable and payable settlement is an important company activity to pay attention to. Accounts receivable are the funds that can be collected from another individual or company. (Yusuf & Rosidi, 2024). Company debt payments must be completed quickly and precisely to maintain seamless operations and maintain strong vendor relationships. (Fajriah & Ikhsan, 2023). These two processes are critical for a company's long-term liquidity and operational sustainability. Furthermore, timely payment of commercial receivables can strengthen the company's reputation among customers and suppliers. Delays in collecting accounts payable can harm well-established relationships and cause parties to distrust each other. As a result, solid financial management and cautious planning are required to keep the business running and pay off accounts receivable and payable. Sound financial management can also assist the organization in avoiding liquidity issues, which can disrupt daily operations (Hildawati et al., 2022). Keeping positive relationships with consumers and suppliers can reap long-term benefits such as increased customer loyalty and better supplier cooperation. To preserve excellent relationships with linked parties, firms must have clear and consistent accounts payable and receivable payment procedures (Hijeriah et al., 2023; Afrizal et al., 2024). Establishing

clear payment terms and policies is one of the most important methods businesses can use to properly manage their accounts receivable and payable in operational cash flow. Setting deadlines for customer and vendor payments helps businesses maintain a healthy cash flow and minimize difficulties. XYZ Hospital is a private hospital in Dumai City that offers health services. This hospital service is only designed for company employees and their families during its operational activities; hence, it is not considered a profit-making organization. All expenses incurred are the responsibility of the company. This hospital's bookkeeping during operation showed a yearly loss due to a lack of revenue. Since January 1, 2018, this hospital's management has been transferred to a subsidiary specializing in health services. Since then, the management, which was previously non-profit, has turned profit-driven. Most of its business activity and sales were conducted in cash and credit during this changeover period. However, credit sales account for most of the company's sales. This hospital follows the subsidiary's sales policies. Based on the first assessment, the operating cash flow state is negative. This scenario of severe financial pressure has existed for the past two years, beginning in January 2021, when retained earnings on the company's balance sheet were already negative.

The hospital established a plan for ordering commodities (medicines and medical devices) and requested that the relevant vendor transmit or exchange invoices according to the schedule. This ensures that hospital payments operate smoothly and follow the established payment strategy. However, hurdles frequently arise in practice, such as providing invoices that do not correspond to the product delivery schedule, incomplete billing files, a lack of goods vacancy letters, tax invoices that have nearly expired, and late invoice delivery from vendors. As a result, the process of the debt period is hampered since it should have been issued in that period, but has become a burden in a period when it should not be. The unclear payment term is also suggested because the debt payment period should not have matured, but was nevertheless paid for, resulting in the hospital's financial situation in the following period being impossible or impractical to pay. This inability is aided by uncertain income, in which expenses exceed income. As a result, cash flow turns negative.

Another factor suspected of influencing cash flow is the disbursement factor or turnover of hospital receivables from 2021 to 2022, which is classified as stuck. This is indicated because consumers are negligent in making receivables payments, and customers delay payments for various reasons, all of which impact the company. This irregular cash flow turnover impedes the firm's operations in the financing process, such as paying staff salaries; the company cannot pay maturing commitments; and there is no investment process, so the company is far from growing. At this time, it is also reflected in the current year's enormous debt and receivables, followed by a negative cash flow. From these numerous issues, this article will examine the accounts receivable settlement and accounts payable payments in XYZ Hospital's cash flow report. It is intended that this research will provide practical recommendations for hospitals and other organizations looking to enhance their cash flow procedures and achieve long-term financial success.

II. Research Method

The research employs a qualitative descriptive research design. (Sugiyono., 2013). Setiawan et al. (2024) A qualitative descriptive method describes or analyzes a research outcome but refrains from making broad conclusions. This research endeavor entails data collection. Data analysis, interpretation, and eventually a conclusion based on the data analysis. The informants included the Head of Controller, Sr. Budgeting and Accounts Payable, Sr. Treasury and Tax, and Jr. Account Receivable Officer. The significant data used were interview findings, while the secondary data was cash flow report data for 2021-2022. The data was gathered using survey methodologies, interviews with financial executives, and a study of financial reports from hospital samples. Data analysis was conducted interactively and constantly until all steps of data reduction, presentation, and conclusion drawing were accomplished. (Kumar, 2011).

III. Discussion

3.1. Accounts Receivable Procedure

Accounts receivable are current assets that must be instantly converted into cash for capital flow and the company's core activities to function correctly. (Suherman & Tomu, 2025). Accounts Receivable are recognized when a Debit Note is issued in a certain amount that can be valued in money and matures within a particular time frame, based on the agreement or other consequences, applicable laws and regulations, or other legitimate consequences. (Yasar & Sya'rawi, 2022). The bill's value is based on the health service rates that the company has provided and the guarantee provisions that have been agreed upon in the agreement clause. In providing health services according to the guarantees' provisions, there are often differences in perception between customers and companies, especially decisions on medical actions concerning patient safety. In addition, the process of completeness of billing document requirements often causes repeated billing returns, which have the potential for the risk of losing documents, so they fail to collect. Based on these occurrences, in order to estimate the value of receivables more reliably, before recognizing receivables, verification and confirmation are carried out with customers regarding the value to be billed, also known as "Proforma Billing" in this guideline. So that there is an agreement on the bill's value between the company as the owner of the receivables and the customer as the debt guarantor. Financial management, particularly concerning receivables, requires meticulous planning and analysis, as the transition involves moving from public health users of hospital services and personal finance to financing through third parties. Financing trends influence the amount of cash the hospital receives from patients. Where cash is not entirely obtained by the patient but is charged to a third party, hospital receivables arise, allowing the hospital's management policy to operate effectively and efficiently regarding receivables operations and collection.

3.2. Accounts Receivable Management

In this Hospital, accounts receivable transactions can be divided into company and subsidiaries (ICT), receivables related to BUMN and non-BUMN, and third-party guarantees. All procedures remain the same, from preparing files to creating debit notes and recording funding transactions. Please print the invoice, give it to management for signature, scan it as an archive, and send it to all companies. After that, collection and control related to rejected invoices will be carried out until the invoice is paid. The invoice file must be submitted no later than h+7 after the invoice is issued. Meanwhile, the hospital is still focused on recording and globally accounts receivable flow, so accounts receivable control linked to aging, debit note corrections, and attempts to overcome bad debts will not be implemented until 2021. However, in 2022, the hospital began to construct and handle overdue accounts receivable, which the reporting department would oversee. Every fifteen days, the hospital would issue a confirmation of accounts receivable and mail it to customers as a notice of accounts receivable that would become due. In addition, changes to previously issued accounts receivable, such as value revisions, are required. This hospital handled accounts receivable using its standard operating procedures (SOP). However, it has yet to be fully implemented regarding accounts receivable monitoring and supervision. This is why many accounts receivable with a relatively high age are poor. Accounts receivable settlement might increase if they are managed appropriately and regularly. This will have a favorable effect on business cash flow.

3.3. Settlement of Accounts Receivable

Accounts receivable settlement involves numerous goals, one of which is to reduce the age of accounts receivable. Maximum three months; timely completion of supporting evidence so that accounts

receivable can be collected immediately, and returned invoices are minimized. Accounts receivable supervision is performed in this hospital to ensure that the targets are met by documenting accounts receivable regularly, accurately, and promptly, and conforming to journal printing and complete transactions. Accounts receivable have a short age, ranging from 30 to 60 days, and can be collected using standard operating procedures (SOP), which helps to smooth positive cash flow. Meanwhile, the accounts receivable staff continues to follow the protocols for monitoring accounts receivable.

Although standard operating procedures (SOP) have been followed, the subsidiary's accounts receivable remain high and exceed the age limit. This is typically caused by pending bills that lack specific files, such as inspection reports or incorrect rates that require authorization. Then, there is a deadline for client billing, so payment for this receivable will be processed in the next period. Subsidiary conducts corporate reconciliation with the principal company's subsidiaries as part of an effort to accelerate receivables settlement. Then proceed to each unit to check the bills that are due. With the accumulating receivables balance, supervision and maintenance become more difficult. This requires more effort and time to ensure that this balance can be maintained in the future. In other words, the accrual basis is utilized to determine net assets, liabilities, and commitments. The accrual basis accounts for the impact of transactions and events, rather than when cash or cash equivalents are received or paid. The hospital's finance team appears to have performed poorly during the collection procedure from 2021 to 2022. This is demonstrated by the fact that many outstanding receivables are more than 180 days past due, when the aim for receivables settlement is 30 to 60 days. The hospital should monitor aging receivables more closely and follow the standards outlined in the company's guidelines. Risk reduction prior to the partnership agreement might potentially prevent receivables. This makes tracking receivables and building an orderly or scheduled collection timetable easy.

3.4. Accounts Payable Procedures

Individual enterprises and companies frequently incur debt. (Manikoe et al., 2023). To ensure efficient operations and strong vendor relationships, firm debt payments must be made on time and precisely. (Fajriah & Ikhsan, 2023; Widiartari et al., 2024). Management is responsible for making payments to supplier partners. All documentation must be collected to guarantee that debt repayment complies with the purchase documents. Before making a payment, examine and think. Hospitals also participate in credit purchases and accounts payable. There are two sorts of corporate debt: debt for medications and medical devices, and debt for rental/service contracts. These debt transactions are recorded as BK (Cash Evidence). In debt management, hospitals receive and check incoming files before proceeding to the general payment process, which includes invoices, petty cash, accountability for work advances, salary payments, and incentives. In addition, it manages incoming bills, develops aging or debt ages, and settles debts with vendors or distributors. About the SOP of the debt transaction that is carried out, as well as the correctness of data input, the payment of accounts payable must comply with the company's rules or operating standards. The hospital pays accounts payable in compliance with and within the time specified in the purchase order. The hospital also has a payment date agreed upon with the vendor named in the Cooperation Agreement throughout the debt repayment procedure. Debts for medications, medical devices, and contracts typically have a payment deadline of 45 to 60 days. team member debts, such as pay and operational costs, require 14 working days. This debt argument is assessed after the documents have been received and expressed appropriately and thoroughly. Payments nearing their due date are prioritized. Furthermore, all documentation must be submitted for the debt process to proceed. If something is missing, the document will be rejected and instantly returned to the vendor, eliminating the need to deposit or wait for the document to be finished. This is done to minimize misconceptions about the document's receipt time, which can affect the debt argument or age, causing other parties to intervene in the payment process. For payment, argument. Payments are often made within 45 days, but there are also 30-day terms. From this, it is clear that the hospital followed its standard operating procedures (SOP) while managing debt. However, the value of accounts payable remains rather substantial. The issues that cause a significant amount of money for this business must be studied further, beginning with

procurement planning. The expenditures that must be incurred can be decreased if debt is well planned, managed, and administered. This will have a favorable effect on operating cash outflow.

3.5. Accounts Payable Payment

While paying accounts payable paid by the hospital to vendors, some obstacles cause outstanding accounts payable to remain high. The following are obstacles faced when running the payment process:

1. Limited funds. This is the biggest and most frequent obstacle during the payment process. If the business cannot pay the debt, payment to the vendor will be delayed until the company can pay it.
2. Errors or incompleteness in invoices or bills sent by suppliers can slow down or complicate the document verification and validation process.
3. Lack of internal coordination can complicate processing debt payments to suppliers. This happens when the related service units cannot communicate well or have no sound information exchange system.

Related to the recording of hospital debt transactions from 2021 to 2022, it still does not meet the accrual basis guidelines. All transactions were considered company expenses because no costs were added. In addition, the high debt value and meter indicate that the payment is slow. This is because the funds used to pay operational and operational debts are not all agreed upon from the total submitted. This also relates to how much money comes from receivables and cash transactions. The more receivables are paid off, the more likely the fund application is approved. It can be seen that there are still errors in recording debt recognition that do not comply with company standards. These errors will have an impact on the company's cash flow report. This is due to the lack of supervision and internal control from the company's top level. The reporting place must be credible and accountable. In addition, several obstacles in the debt payment process include limited funds, non-compliance with accepted laws, and a lack of internal coordination. For this reason, employees should be more active in learning recording procedures, achieving goals, and sharing meetings to be more open, honest, and learn more about reducing errors. Thus, it is expected to obtain greater cash flow, providing value for the company and directors to make the right decisions for the hospital's progress.

3.6. Cash Flow Statement

A cash flow statement shows relevant information about the amount of money received and spent by a company within a specific period. (Handayani et al., 2024; Rezkiyanti et al., 2025). By creating a cash flow statement, each company can predict how its business will progress yearly and ensure it will not experience losses or bankruptcy. (Nabella, 2021). The accounting process allows a company's financial statements to be used to measure its performance. (Wehantouw & Tinangon, 2015). Analyzing a company's financial performance is one way to determine its financial statements. This is because these financial statements can provide information about the money coming in and out of the company, which can usually be seen in the cash flow statement. All parties benefit from various company evaluations, especially those related to cash usage, if cash flow information is combined with relevant information in the financial statements (Handayani et al., 2024). Regarding the cash flow statement, XYZ Hospital experienced a shift or change in its organizational structure. Cash flow is still decreasing from 2021 to 2022 because more cash goes out for payments for drugs, medicines, rent, and salaries than cash from service revenues, both in cash and receivables. In addition, costs are difficult to avoid because company regulations do not require transaction recording, resulting in poor cash flow. Based on the findings at the Hospital, related to the cash flow report, it was found that the cash flow value was still far from good because there were still many negative cash flows in a period and more expenses than income. Cash flow reporting that is always negative is caused by errors in the initial transaction. However, with changes in structure and management and new leadership, the finance

team is expected to be able to provide accurate and precise financial records and reports to achieve a cash flow surplus, as reported in 2023. It is illustrated that recording and reporting cash flows depend on the first transaction. If the recording is wrong at the beginning of the period, then the wrong recording will also occur at the end of the period. XYZ Hospital must improve its recording system to comply with corporate standards. This will impact the final results of accountable cash flow financial reports and make the company accountable to stakeholders and investors. Employees should learn the basics of finance to create competent human resources and be able to produce good financial reports. They must also actively learn the correct financial and accounting systems so that the company can manage its costs and income. Then, the hospital can make more money by considering the amount of cash outflow compared to the cash inflow. However, this must be done by optimizing services, aggressively collecting, and ensuring that debt payments are made as quickly as possible.

IV. Conclusion

Management of receivables at XYZ Hospital has been carried out using standard operating procedures (SOPs). However, it has not been fully implemented to monitor and supervise receivables. This causes many bad debts and older receivables. As a result, transaction recording still does not follow the accrual basis rules due to a lack of supervision and untrained workers. Debt management, especially procedures in the hospital, has been carried out by SOP. However, the value of accounts payable is still reasonably high. There are still errors in recording debt recognition, which impact the company's cash flow report, namely when the recognition of costs or debts is not carried out in the current month while the income is recognized, this will contribute to the negative cash flow. In addition, there are also several obstacles in the debt payment process, such as limited funds, inconsistencies in the bills received, and a lack of internal coordination. Recording is not by the company's guidelines, namely the accrual basis, so the final result obtained is a negative cash flow value from 2021 to 2022.

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