

Financial and strategic planning

[Finance](#)



**ASSIGN
BUSTER**

Insert Insert of the supervisor Insert of the Insert assignment is due PROFIT
& LOSS ACCOUNT

Revenue

1, 500, 000. 00

1, 600, 000. 00

Grants

250, 000. 00

TOTAL REVENUE

1, 500, 000. 00

1, 850, 000. 00

Less : Expenses

Operating expenses

1, 000, 000. 00

1, 200, 000. 00

Company Pension Contribution

500, 000. 00

Malpractice Costs

150, 000. 00

Depreciation

100, 000. 00

105, 000. 00

TOTAL EXPENSES

1, 100, 000. 00

#

1, 955, 000. 00

profit/Loss(Revenue-Expense)

400, 000. 00

#

(105, 000. 00)

BALANCE SHEET

Debtors

500, 000. 00

Accumulated profits(note1)

295, 000. 00

Depreciation

(205, 000. 00)

295, 000. 00

295, 000. 00

Figure 1: Balance sheet

Trends are defined as the relative shifting of a variable or variables through a particular period. The specified period may be long-term or short-term and this is dependent on the nature of the trends; whether they are long-term or short-term in nature (Evans, 2000). For instance, a market characterized by an upward trend means that majority of stock prices are in an increasing trend. In this particular scenario, Trinity Hospital ought to look at financial trends in the planning process before embarking on implementing the five-year tactical plan. Through this venture, the hospital's management will establish the feasibility, stability and the expected benefits of their ambitious plans and projects. Identifying the financial trends starts with report preparations generated by ratios or financial statements' information, plus <https://assignbuster.com/financial-and-strategic-planning-essay-samples/>

other financial reports. The Hospital decision makers will prop up their decisions on these findings and conclusions.

Hospital profitability is a sure trend that ought to be assessed by the responsible financial analysts. Assessing the facility's profitability entails establishing its income-earning ability plus the ability to protract growth in the long-term and short-term periods (Evans, 2000). Solvency is also a trend that ought to be addressed by the hospital. Solvency is the hospital's ability to fulfill commitments to creditors plus other variant third parties, both in the short and long-term periods.

Another trend worth looking at is the liquidity aspect of the hospital. This translates to the hospital's capacity to maintain positive income flow, and meeting immediate obligations. Solvency and Liquidity will be derived from the entity's balance sheet which will outline the financial state of the hospital from specific time point(s). Stability trend of the hospital ought to be drawn to portray the hospital's capability to stay put in operation. Deriving the stability trend will unearth the hospital's capability to remain fully functional without sustaining major losses when in full-swing operation.

The hospital's management ought to look at labor trends where forecasts on the labor needs and the anticipated production as pertains the expansion of the facility. Decrease or increase of production will translate to alterations on production-related costs and other variant support services (Evans, 2000).

This is linked to administrative trends that have characterized the hospital's management and operations. Administrative trends encompass issues such as administrative appointments, retirements, terminations plus establishment or scrapping off administrative units/departments.

Viable financial/budgetary models to be used by the entity should expound <https://assignbuster.com/financial-and-strategic-planning-essay-samples/>

on parameters, variables and relationships. Based on the trend examples spelt above, one can derive the variables into 3 groupings (Evans, 2000):-

Control variables: These are the internal inputs the hospital can control, including debt financing levels and capital spending levels.

Policy Variables: These are objectives and goals of the hospital that have been formulated to spark and maintain expected outcomes. For instance, the hospital may situate profitability and cost targets.

External variables: These are inputs that Trinity Hospital cannot control. These include current economic circumstances, financial interest rates, technological trends, resource availability and competition.

Parameters are the boundaries/limits that will guide the budgetary/financial model adopted by the hospital. For instance, Parameters will institute the hospital's initial account balances within the adopted budgetary/financial model.

All these trends spelt above incline towards the budgeting aspect of the hospital. Viable budgets must be tied to the strategic plans of the hospital because strategic decisions and plans have budgetary/financial repercussions. Moreover, financial trends will influence the approach adopted by the hospital's directors as they strive to implement the five-year plan.

Works Cited

Evans, Matt. Course 2: Financial Planning and Forecasting. Excellence in Financial Management, 2000. Web. 27 August, 2011.