

# [Example of essay on patton-fuller community hospital operating budget analysis](https://assignbuster.com/example-of-essay-on-patton-fuller-community-hospital-operating-budget-analysis/)

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## Introduction

Finance, accounting and operating budget have a relationship as a change in one has an effect on the others. Thus, understanding the relationship is crucial as it enhances the ability to forecast the effect when there is a change in one aspect. In that respect, this analysis uses the case of Patton Fuller Community Hospital examining the effect of two nurses’ options on the Hospital budget and performance. The first option involves increasing the nurses’ hourly wage by $1 to $31 and retaining the patient-nurse ratio of 5 to 1. The other option is reducing the patient-nurse ratio to four to one without a change in wage rate. Finally, the analysis explains the relationship between finance, accounting and operating budget.

## Analysis

- Nurse options choice and budget effect on patient care as well as employee satisfaction
The simulation table below provides the effects of the two nurse options on the number of nurses per day and the hospital’s monthly expense.
Given the budget simulation of the two nurse option as shown on the above table, the two have significantly different effect on the total salaries and wages cost. That can be shown by the total change in cost with the wage increase of $1 per hour resulting to a $630, 720. 01 increase in cost. On the other hand, the patient-nurse ratio change from 5 to 1 to a new ratio of 4 to 1 has a possible effect of increasing cost by $ 4, 730, 400. 00. In that view, the change in the ratio would be expensive to the business that the wage increases. Thus, the hospital should choose to increase nurse wages by $1 rather than change the ratio. In summary, the operating budget would reduce profit by $630, 720. 01 through salaries and wages expense increase. On the other hand, the ratio change would significantly reduce the profitability by$4, 730, 400. 00. (PFCH, 2009)
On the other hand, both options have implications on the hospital’s patient care and employees’ satisfaction. The increase in wage would be a motivation to employees that would enhance patient care. On the other hand, the ratio change would lessen the nurse burden hence enhance the quality of patient care but would need a significant increase in a number of nurses as shown on the above simulation table. (Kemp, 2003)
- Finance and accounting relation to operating budget
Finance and accounting refer to the system that an organization uses to plan for and record its resources use and performance. On the other hand, operating budget is a tool that an organization uses to achieve its finance plans. In that respect, accounting is an essential tool that records and helps recognize costs and revenues as the budgets are implemented to pursue finance goals. Thus, accounting helps identify whether the organizations’ budget is in line with the finance plan and identification of any variances helps in adjusting finance resources or the budget items. (Kemp, 2003)
In view of the Patton Fuller Hospital budget, finance and accounting would relate to the plan to spend more funds on paying the nurses as well as accounting for the expense. On the other hand, that would be well capture in an operating budget that would forecast the possible cost effect of the strategy. (Kemp, 2003)

## Conclusion

In view of the analysis, it is clear that the two options have an effect on the hospital’s cost. However, the ratio change option places a high-cost burden on the hospital owing to the high number of nurses that is required to suit the new ratio. However, the ratio change would enhance employees’ satisfaction through lessened workload. On the other hand, the wage increase option would have a relatively low effect on the cost increase and would motivate employees to achieve better patient care. Thus, the wage increase option has been chosen as the best. Finally, the analysis has demonstrated that finance; accounting and operating budget are interrelated as finance planning requires a budget that forecast costs and income. In addition, accounting has been identified as a crucial tool of evaluating the budget progress and finance goals attainment.

## References

Kemp, S. (2003). Budgeting for Managers. New York: McGraw-Hill.
PFCH. (2009). Nurse Options. Patton Fuller Community Hospital CFO Report 2009.