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## Financial management in health care organizations

Introduction
Health care organizations are those organizations that do operate in a non-profit making basis. These kinds of organizations are service providers that are slightly different from the manufacturing businesses; they mainly offer health care services to their clients (Murray, 2010). Even though they are non-profit making institutions, they still have sources of revenue and areas of spending. The first view is the financial perspective. Manager of the health care organizations is receiving finances from various areas, from the service delivered, from the sale of drugs, from the ward beds, laboratory checkups and many other activities. The managers also spend money in the form of wages, purchases of drugs, purchases of relevant facilities such as laboratory equipments and many more (Novak, 2013). The financial viewpoint looks at the responsibility of managers in reporting functions of these finances as handled. The second viewpoint shows the processes that health managers, expected to have an elaborate information system within the organization. The third viewpoint that is also the last the clinical viewpoint managers, have the responsibility to ensure a smooth delivery of health services to clients.

## Summary of Elements of Financing Management

Financial management is one function among many other functions that health care managers expected to have. In as much as the organization is not for profit making, the fact is that they hand finances in their day-to-day activities and that management of these finances is necessary (Novak, 2013). Just like in other profit making institutions, financial management in health care organizations follow the four general elements of financial management.
The first element that managers use is planning. Health care managers always identify the organizations financial goals, the log-term and the short-term (Richard, 2013). Having known these financial goals, they have the responsibility to get the appropriate steps followed to accomplish these set goals. This ensures efficient and effective use of finances.
There is also the need for controlling both financial and nonfinancial activities of the organization. In planning, managers set plans used to achieve the set goals of the organization. Controlling now ensures that these steps followed (Novak, 2013). To ensure a successful control, managers ensure that they have check on the set standards and how activities get performed to find out if there are discrepancies. When there is a discrepancy, the management team finds out immediate corrective measures to ensure that the effectiveness of the resources attained. This is the feedback method, used to ensure that managers follow the steps as planned (Murray, 2010).
Organizing and directing demands that the managers ensure that the use of finances attains its effectiveness. That means they carry out those activities outlined by the organization plans. Moreover, it ensures that the activities of the firm are efficient. The overall goal of organization and directing is to meet effective use of finances and achieve the intended goal through efficient means.
The last element is decision making; health managers expected to choose the best alternative from the existing many alternative. There is the need to have adequate information to make the right choice and health managers must be properly informed.

## Two Types of Accounting

Health care organizations have both the financial accounting meant for external reporting and managerial accounting meant for the internal consumption. The government entities and the players in a health plan need financial reports from the Health Care institutions. The taxpayers may also want to know how their money spent in various health institutions, hence financial reporting. Effective financial reporting should follow a principle called, Generally Accepted Accounting Principles (GAAP).

## Summary of Generally Accepted Accounting Principle

This is an international convention principle that promotes ethical standards in financial reporting and practices as a whole. It defines the format of the financial report to ensure a universal understanding by the financial report users. Some of the commonly known GAAP include the going concern (Richard, 2013). This concept looks at the business as an entity that will continue to operate unless stated otherwise. The second, the conservatism principle, principle provides that accounting should be reasonable and fair. The third is Objectivity Principle, which state that recordings need to be in objective evidence. Other principles are the time period concept, revenue recognition convention, matching, cost principle, consistency, materiality, and full disclosure. Financial ethics standards demand that, accountants follow this principle without deliberate alteration (Novak, 2013). A good reporting practice must have plan, normally at the year-end; it must take care of the intended audience and give a report that is understandable by the audience. The other important practice is to ensure timely calculations.
Financial reporting by health care organization should comply with ethical standards of financial reporting, and have outlined reporting practices (Richard, 2013). In addition, this calls for corporate compliance programs that explain ethical behavior and possible abuse witnessed healthcare organization. Managers need to know how to handle problems such as health care fraud or even abuse. With such information known, managers are able to have tips on how to report things that appear suspicious in the organization. Managers are responsible for effective use of health care revenue. They should also report any fraud, or abuse cases to the responsible authority in a professional way.

## Companies Who Failed to Maintain Ethical Standards

A company like Drexel Burnham Lambert, which was one of the largest companies, ended up failing because of leading employer into unethical and illegal conducts. They failed to follow ethical standards required by the financial business and had to go bankrupt. Thousands of people became jobless. The other major firm that failed in the same way was Subhiksha. It had over 1600 retail outlets before it started to report overstated accounts, faking inventories, giving fake cash outflow to no-existed banks. For this reason, Subhiksha failed and went into bankruptcy. Most people became jobless; a lot of money wasted on legal cases, and the public lost their services and products.
This should be a warning to management of business institutions on the importance of following prescribed ethical codes to remain in business. Most employees lost their jobs and the public inconvenienced as they could not continue to enjoy their services (Richard, 2013). The corporate compliance needed by health care organizations even if they are not profit making organizations.

## References

Murray, S. (2010). Creating Ethical Environments in Nursing. New York: Doubleday Press
Novak, K. (2013). Ethical Environment in Academic Dentistry. New York: Press Print.
Richard, H. (2012). Financial reporting principles and ethical issues. New York: McGraw Hill.