

# Capital investment decisions essay sample

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Capital investment decisions are among the most important decisions made by healthcare centers. The organization often determine the capacity for providing services to patient and if there is need for expansion, they commit the organizational cash towards that investment. The role of chief financial officers of the organization is always very important because he/her will reveal the capital investment strategies. Still, there is substantial variation in capital budgeting techniques, methods of risk adjustment, and the importance of qualitative considerations in investment decision making. There is also variation in delegation of investment decision making to operating units and methods of performance evaluation. Health care systems face the same challenges as other organizations in developing and implementing capital investment strategies that use consistent methods for evaluation of projects that have inconsistent aim and outcome (Smith & Wheeler, 2000)

It's quite encouraging that our healthcare facility strives to give the best to the patient that visits us on a daily basis and as part of our vision and mission to expand our facility through quality care and on time care for people that visits the center on daily basis, requires more commitment to make our healthcare center among the top three in America but to actualize or to make it reality, we need more and long-term capital investment in other to achieve that goal. Because of my role as an investment officer, I have being working close with the various departments and I discovered we needed to invest on infrastructures, more bed units and invest on MRI machines,. Our hospital currently operates 200 bed units in two building which means 100 beds to one building. But considering the number of

patient that visits the center on daily basis, the two buildings are not enough to meet the demand of our customers.

From the hospital records, I discovered we have 650 patients that visits the hospital on a monthly basis and at least 80% of these patient needs to be admitted for at least a week but because the current capacity of the hospital is not enough, we often ended up transferring and recommending other centers to patient and that is loss of revenues. So, I wish to advise the hospital to investment on three storey-building and each of the flow should have 150 beds and that will double the current building capacity. From the financial records, I discovered the 200 beds units that accommodates patient monthly, generates the total sum of \$500, 000 and if we can achieve the new building, it means our monthly revenue can be increase to the sum of \$1, 500, 000 monthly. After consulting some building contractors, I discovered the new building with furniture will cost us \$1, 000, 000 and with the current monthly profit of \$100, 000, after expenses, I belief will be able to finance the new building for the period of ten years.

The center needs two MRI machine and those MRI will cost the hospital \$300, 000 for both of them and the machine will be generating \$10, 000 monthly. If we are able to purchase the two machines, will be able to pay it off within the period of ten years. The team that will handle or oversee the investment will include the chief financial officer, MRI technician, ten nurses, and one administrative assistant manager. The investment will requires more focus on the effectiveness of internal controls over financial reporting by management, requires that senior management like chief financial officer (CFO)) to certify financial reports, and provides protections for employees

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who identify financial reporting issues (Smith, 2014) the new nurses will help meet the demand of man power and the new administrative manager will help in keep tap on the administrative duties which the service manager can't reach in a day.

#### Reference

Smith & Wheeler, 2000: Capital investment [http://www. ncbi. nlm. nih. gov/pubmed/10845384](http://www.ncbi.nlm.nih.gov/pubmed/10845384) Smith, D. G. (2014). Introduction to healthcare financial management. San Diego, CA: Bridgepoint Education, Inc.