

# [Module 2, financial and strategic planning (slp)](https://assignbuster.com/module-2-financial-and-strategic-planning-slp/)

[](https://assignbuster.com/)[Health & Medicine](https://assignbuster.com/essay-subjects/health-n-medicine/)

Health sciences and medicine Trinity hospital balance sheet as of December 31, ASSETS Current assets Cashin bank   
2360000   
Revenue   
1500000   
Delayed payments   
0   
Grants   
0   
Total current assets   
3860000   
Fixed assets   
Equipment and fixtures   
(less Depreciation)   
1000000   
Total fixed assets   
1000000   
Total assets   
4860000   
Liabilities   
Current liabilities   
Operating expenses   
1000000   
Debt retirement   
150000   
Retirement plan   
150000   
Malpractice costs   
150000   
Total current liabilities   
1450000   
Long- term liabilities   
Long- term Debt   
900000   
Total liabilities   
Net worth (total equity)   
2410000   
Total liability and net worth   
4760000   
Trinity hospital balance sheet as December 31, 2011   
ASSETS   
2011   
Current assets   
Cash in bank   
1445000   
Revenue   
1300000   
Delayed payments   
500000   
Grants   
250000   
Total current assets   
3495000   
Fixed assets   
Equipment and fixtures   
(less Depreciation)   
1000000   
Total fixed assets   
1000000   
Total assets   
4495000   
Liabilities   
Current liabilities   
Operating expenses   
1200000   
Debt retirement   
150000   
Retirement plan   
150000   
Malpractice costs   
150000   
Total current liabilities   
1650000   
Long- term liabilities   
Long- term Debt   
750000   
Total liabilities   
Net worth (total equity)   
2000000   
Total liability and net worth   
2750000   
Composed balance sheets in a table   
ASSETS   
2010   
2011   
Current assets   
Cash in bank   
2360000   
1445000   
Revenue   
1500000   
1300000   
Delayed payments   
0   
500000   
Grants   
0   
250000   
Total current assets   
3860000   
3495000   
Fixed assets   
Equipment and fixtures   
(less Depreciation)   
1000000   
1000000   
Total fixed assets   
1000000   
1000000   
Total assets   
4860000   
4495000   
Liabilities   
Current liabilities   
Operating expenses   
1000000   
1200000   
Debt retirement   
150000   
150000   
Retirement plan   
150000   
150000   
Malpractice costs   
150000   
150000   
Total current liabilities   
1450000   
1650000   
Long- term liabilities   
Long- term Debt   
900000   
750000   
Total liabilities   
Net worth (total equity)   
2410000   
2000000   
Total liability and net worth   
4760000   
2750000   
Current ratio =   
For 2010   
Current ratio is 3860000/1450000 = 2. 66   
For 2011   
Current ratio =   
3495000/1650000 = 2. 11   
Working capital = current assets - current liabilities   
For 2010   
3860000 – 1450000 =$ 2410000   
Working capital for 2011   
3495000 – 1650000 = $1845000   
Leverage (or Debt/Worth Ratio)   
Debt /net worth   
For 2010   
900000/2410000 = 0. 373   
Leverage for 2011   
750000/2000000 = 0. 375   
Financial trends   
Current ratio: is the measure the ability of an organization to pay its exclusive current obligations using the current assets. Trinity hospital’s ability to pay its obligations reduced from 2. 66 in 2010 to 2. 11 in 2011. This shows a reduction of 0. 55 in the payment of its obligations.   
Working capital: is a vital measure of hospital’s efficiency and its short-term financial health. The working capital reduced over the year for (2410000 -1845000) $565000. This shows a tremendous decline of efficiency in the hospital and a further reduction its short-term financial health. Efficiency of the hospital should be enhanced to improve its financial health.   
Financial leverage: shows the extent to which the hospital is using the money borrowed. The extent increased from 0. 373 in 2010 to 0. 375 in 2011. This shows the increase in the risk of bankruptcy. The hospital should make a decision of generating internal funds to finance it operations. This will curb the financial risk that hospital faces when it uses the borrowed debt.   
References   
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