

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

[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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