

Module 2, financial and strategic planning (slp)

[Health & Medicine](#)



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BUSTER**

Health sciences and medicine Trinity hospital balance sheet as of December 31, ASSETS Current assets Cash in 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
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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

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$$750000/2000000 = 0.375$$

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 its operations. This will curb the financial risk that hospital faces when it uses the borrowed debt.

References

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Vause, B. (2009). *Guide to analysing companies* (1st ed.). New York: Bloomberg Press.