

# Healthcare finance

Finance



Healthcare Finance Healthcare Finance If I were the CEO of Bayside Memorial Hospital, I would advocate for a top-down approach to budgeting as opposed to a bottom up approach because of its many advantages. Among the reasons that make top-down approach the most ideal is the fact that it allows the upper-level executives to come up with budgeting information without relying on the lower-level managers. This in turn allows the lower-level managers to focus on their departmental roles without necessarily having to look for budgeting information. This is unlike the bottom up approach where the upper-level executives wait for the various departments to come up with their budgets and then compile them into one budget. This saves time and resources dedicated to budgeting (Shim, Siegel & Shim, 2012).

Top-down approach also minimizes unnecessary spending by the various departments and helps streamline an organization's accounting processes. This further helps an organization to stay financially firm while avoiding cost overruns. This is unlike the bottom up approach where departments make their own budgets and pass them to the upper executives. The major risk that comes with this approach is the possibility of experiencing cost overruns, which can be financially damaging (Shim, Siegel & Shim, 2012). By leaving the responsibility of budgeting to the upper management, chances of costs overruns are greatly reduced.

A top-down approach can also be used to help departments know what is expected of them. Each department is allocated a budget according to the expectations of the organization on that department. This is ideal in a situation where an organization wants to reduce on its spending.

#### References

<https://assignbuster.com/healthcare-finance-essay-samples-4/>

Shim, J., Siegel, J. & Shim, A. (2012). Budgeting basics and beyond. Hoboken, NJ: Wiley.