Determining finacial variability

Finance

Financial Viability Financial management has been a critical study because the involved concepts have implications for not only professional but also personal behavior. The study has also proved rewarding in modern day healthcare and probably even in future, as managers have been hard pressed to consider financial implications in making operational decisions. Although finance and accounting would fall under the department of finance in most institutions, the two are distinct entities but dependent on each other. Accounting plays an important role in providing decision makers with rational means to measure and budget for the financial performance of a business organization. Accounting deals with keeping financial records; producing periodic statements, reports and analyses; and disseminating information to managers, investors and other relevant external parties. It is involved with the timeliness, relevance and quality of information output. Accounting could be divided into various components depending on their traits. Financial accounting serves to verify the work of auditors with regard to legal regulations in calculation of income tax and similar legal norms. It ensures that the information given is proved and trustworthy. Managerial accounting is a qualitative type of accounting that examines and depicts economic reality and focuses on incorporation, grouping and analysis of the acquired information to make it usable by executives in making decisions. Inter-organizational accounting, also referred to as cost accounting by Cleverley W., Song and Cleverley, J. (2011) would be inclined to an organization’s phenomena proceeding. Finally, tax accounting operates on income tax law conditions for cost spheres. Therefore, accounting gives a picture of an organization’s economic activities and identifies existing problems giving background data necessary for the decision-making process.

On the other hand, finance provides the tools, concepts and theory needed in making better decisions (Cleverley W., Song & Cleverley, J., 2011). Decision makers in finance would heavily rely on accounting reports. Having knowledge of the past has been perfectly used to forecast future trends. The role of a financial manager would therefore not be providing financial information but instead using financial information provided by the accountant to make financial decisions. This role involves application of finance, mathematics, statistics and management tools. Analytical finance also referred to as financial engineering such as investment, derivative securities and risk management provides understanding of financial modeling and theory in modern financial practice. International finance provides an analytical and quantitative foundation for financial analysis at an international scope. Provision of health care services presents a unique environment as opposed to other corporate organizations because it is dominated widely by non-profit organizations, both governmental and private. Similarly, most of the payments would not be made by the consumers but by a third party such as insurance companies or government programs. However, these healthcare organizations should be run as businesses other than their role as health service providers. Financial management would therefore be critical in managing these institutions just as in overall business management with its role being to " plan for, acquire and utilize funds" with the aim of maximizing the enterprise's efficiency and value (Carter, 2000, p. 5). Carter (2000) categorizes financial indicators in healthcare providers into three main classifications: net income, debt burden and cash, and liquidity flow. Cleverley W., Song and Cleverley, J. (2011) note that the difference in the amounts collected from patients and third parties

as service payments or donations and the payments to suppliers including employees, lenders, service contractors and equipment suppliers contributes to the net income of healthcare organizations. Continued failure to post positive net income could cause the fall of a healthcare organization. Liquidity and cash flow determines the ability of the healthcare institution to meet its short-term financial obligations. Even if an institution has good financial margins, the providers have to maintain enough cash assets for its short-term obligations to vendors, creditors and employees. Otherwise, the institution would fall into financial crises that could have its management organize for credit on unfavorable terms or sell its investments, which eventually weakens the financial viability of the hospital. Debt burden defines the institution’s reliance on long term financing for its assets’ financing. Financing debt would extend the capabilities of a hospital but with increase in debt, the risk of non-payment increases. In addition, committing more cash flow to long term loan repayments could see the hospital become inflexible in adapting to environmental changes in competition, technology and emerging investment opportunities. In conclusion, accounting could be said to give information on business operations with the end product being declarations like balance sheets, use of funds and changes in financial positions. It is the data from these declarations that finance makes use of in coming up with decisions on the organization. Hence, the purposes of these fields define their differences and connection at the same time. Healthcare organizations run like businesses as they receive payments and pay their suppliers, they apply the principles of accounting and finance to ensure financial viability and that they meet their long and short term financial obligations. References Carter, M. (2000). Cost and Performance Issues:

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