

Hca ratio analysis

Business



Associate Level Material Ratio Analysis Form Use the table on the next page to complete the Week Eight assignment.

In this assignment, you will review the textbook to find the definitions for each ratio. Use the financial statements for Drs. Smith and Brown, located on the student website, to perform the calculations and complete the form. Review the following example on how to perform the inventory turnover calculation, which shows you how to complete the table. * Two different methods can determine the inventory turnover ratio.

Cost of goods sold—operating revenue of a hospital—divided by ending inventory * Total revenues plus net nonoperating gains divided by ending inventory This example uses the first method to perform the calculation. Because a hospital provides a service, we would find the number that reflects services provided. Total operating revenue reflects money that is earned for providing services. Locate the Statement of Net Income on the student website. Find the total operating revenue.

This is \$180, 000. Then, locate the ending inventory number. To find the ending Inventory, use the Balance Sheet on the student website. The ending inventory number is 5000. Cost of goods sold—operating revenue: 180, 000 divided by ending inventory of 5000; $180,000/5000 = 36$ * Place this information in the table.

You will do the same with the rest of the ratios. Take the result of your calculations and place in the grid, as in the example. * In addition, you are responsible for stating whether the ratios are solvency, leverage, or

profitability ratios. Enter your answers in the appropriate column. Then, explain what these ratios tell us about the physician group practice. Note.

You will use the financial statements of Drs. Smith & Brown to perform the calculations on the next page. To calculate the debt service coverage ratio, you need the maximum annual debt service, which is \$22, 200. The following table shows the median financial ratios for acute care hospitals. You can use this table to gauge the financial viability of the physician group practice.

Ratio	Numbers from Arcadia financial statement	Result	Is it a liquidity, solvency, or profitability ratio? Define the ratio and explain what the result shown in Column 3 means to the organization. Do not forget to provide your references at the bottom of the form.
Inventory turnover (Example)	180,000/5000	36	N/A

Inventory turnover is calculated to determine how quickly the inventory is used based on the services rendered. If the inventory turnover is high, this means the hospital does not have enough inventories on hand to accommodate the patient load. For this example, the hospital is turning over their inventory 36 times per year, which is about 3 times a month. The opposite is true if the inventory turnover calculation is lower than the median.

This could mean that there is a build-up of inventory due to lower than expected patient revenues.

Current ratio	70, 000/30, 000	2. 3	Liquidity
Quick ratio	100, 000/30, 000	3. 33	Solvency
Debt service coverage ratio	/22, 200		
Operating margin	Net operating income 80, 000	Annual	
intrest or principals on debt	170, 000	80, 000/170, 000	0. 47
Profibility ratio			

| Return on total assets| Net income 80, 000/total assets 1, 000, 000| 0. 08|

Profitability ratio| | References