

Selma Hasic

Professor Judd Holder

Accounting for Health Care Organizations

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Introduction to Health Care Accounting and Financial Management (Test your Knowledge)

Finance is the provision of analyses, concerning the acquisition or disposition of the organization's resources (Finkler). The financial accounting aspect of accounting is a formalized system designed to record the financial history of the healthcare organization. An integral part of the financial accountant's job is to report the organization's history from time to time to interested individuals, usually through the organization's quarterly and annual reports (Finkler). The managerial accountant looks forward and the financial accountant looks backward. The role of finance has expanded significantly from the functions of borrowing funds and investing excess cash resources of the firm. The finance function involves providing financial analyses to improve decisions that affect the wealth of the organization (Finkler).

Accounting is the provision of financial information. The managerial accountant provides financial information that might be used for making improved decisions regarding the future. Financial management has two goals: profit-ability and viability. The organization wants to be profitable, and it wants to continue doing business. It is possible to be profitable, yet fail to be able to continue in business (Finkler). Profit for healthcare organizations are necessary to achieve the goals related to providing high-quality care. The relationship between financial risk and financial return is that the greater risk we incur, the greater the anticipated profit or return on our