TT TEXTBOOK TESTBANKS

Test Bank for Accounting Fundamentals for Health Care Management 4th Finkler

TEST BANK SAMPLE PREVIEW

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Chapter 1: Introduction to Health Care Accounting and Financial Management

Short Answer Questions

1. Distinguish between managerial and financial accounting.
Ans: Managerial accounting is forward looking, and focuses on generating the information needed to aid decision making by managers. Financial accounting is backward looking, and reports what has already happened.

2. Give three reasons why health care organizations need to generate and accumulate operating profits. Explain why profits might be preferred to other sources of resources (such as borrowing).
Ans: Health care organizations need to earn and accumulate profits to subsidize clients who may not be able to pay, to maintain an operating reserve to protect the organization from unexpected revenue or expense volatility, and to have resources available for potential investment and expansion opportunities. Borrowing may not always be available or, when it is, may take too long to access.

3. Distinguish between short-term and long-term liabilities. Provide an example of each.
Ans: Short-term liabilities are resources we owe some outside organization or entity that we will pay within 1 year; long-term will be paid in more than 1 year. A short-term liability could be accounts payable, notes payable, wages payable, or taxes payable, for example. Examples of long-term liabilities include bonds payable and mortgages payable.

4. True or false? Health care managers should only be concerned about the organization's long-term financial health and prospects. Explain your choice.
Ans: False. Long-term fiscal health (solvency) is critical. However, managers need to be concerned about organizational liquidity as well. Without adequate liquidity, organizations cannot meet current obligations, which can also lead to insolvency.