**Unit 4 Written Assignment:**

Answer the following:

1. Explain, in your own words, the benefits of budgeting for an organization.

2. How does the statistics budget differ from the other types of budget discussed in this unit?

3. How would you describe the budget development process at your current place of employment: is it top-down, bottom-up, or a combination? Explain. (If you cannot use your current employer, you may use a former employer. It does not have to be a health care organization.)

4. How and why do managers use variance analysis?

5. What are “Standard Costs?”

6. Assume that the managers of a hospital are setting the price on a new outpatient service. Here are relevant data estimates6: Variable cost per unit $5.00 Annual direct fixed costs $500,000 Annual overhead allocation $50,000 Expected annual utilization 10,000 visits

a. What per visit price must be set for the service to break even?

b. What per visit price must be set for the service to earn an annual profit of $100,000?

7. Describe how price may differ from revenues collected from third party payers. What causes the differences?