

## Healthcare Financial Management and Economics

### Week 7 Assignment — Budgeting and Variance Analysis

#### Instructions:

The following are budgeted and actual revenues and expenses for a hospital.

	Budgeted	Actual
<b>Revenues</b>		
Surgical Volume	2,300	2,600
Gift Shop Revenues	\$18,000	\$19,000
Surgery Revenues	\$589,500	\$852,750
Parking Revenues	\$17,000	\$19,000
<b>Expenses</b>		
Patients Days	26,000	25,000
Pharmacy	\$119,000	\$158,000
Misc Supplies	\$68,000	\$795,600
Fixed Overhead Costs	\$832,000	\$890,000

Using the “Week 7 Assignment Budget and Variance Analysis Excel Template” show your calculations:

1. Determine the total variance between the planned and actual budgets for **Surgical Volume**. Is the variance favorable or unfavorable?
2. Determine the total variance between the planned and actual budgets for **Patient Days**. Is the variance favorable or unfavorable?
3. Determine the service-related variance for **Surgical Volume**.
4. Determine the service-related variance for **Patient Days**.
5. Prepare a flexible budget estimate. Present a side-by-side budget, flexible budget estimate, and the actual **Surgical Revenues**.
6. Prepare a flexible budget estimate. Present a side-by-side budget, flexible budget estimate, and the actual **Patient Expenses**.
7. Determine what variances are due to change in volume and what variances are due to change in rates.