

Budget Preparation & Implementation



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What is Budget ?

“Is a financial or quantitative interpretation prior to a defined period of time, of a policy to be pursued for that period to attain given objectives”

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*“Budget is described as an instrument through which hospital administration, management at the department levels and the governing bodies can review the hospital services in relationship to the prepared plan in a comprehensive and integrated form **expressed in financial terms**”.*



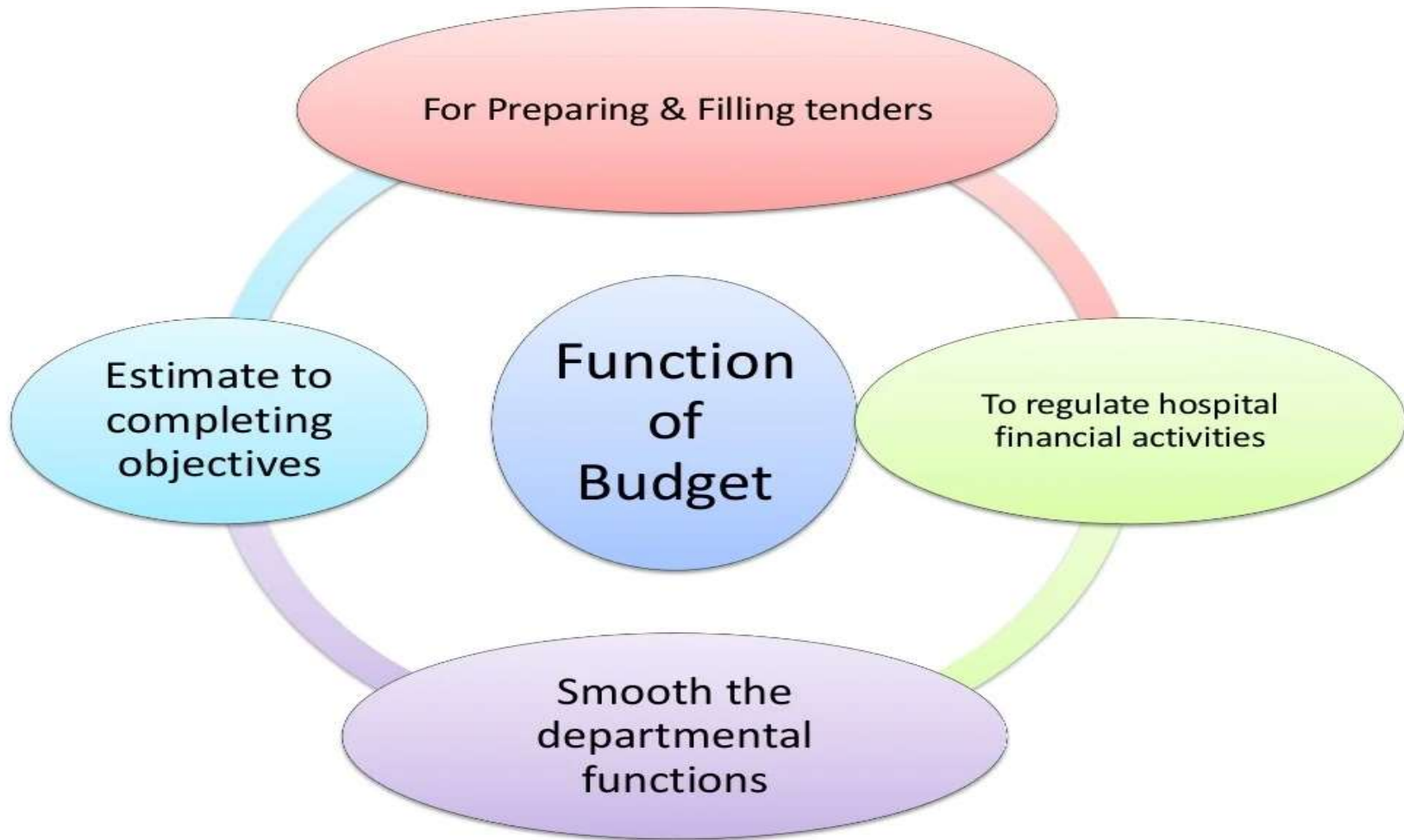
Reasons for Hospital Budget Preparation

Demographic
Consideration

Institutional
Consideration

Personal
Consideration





Types of Budget Preparation

Short term
budget

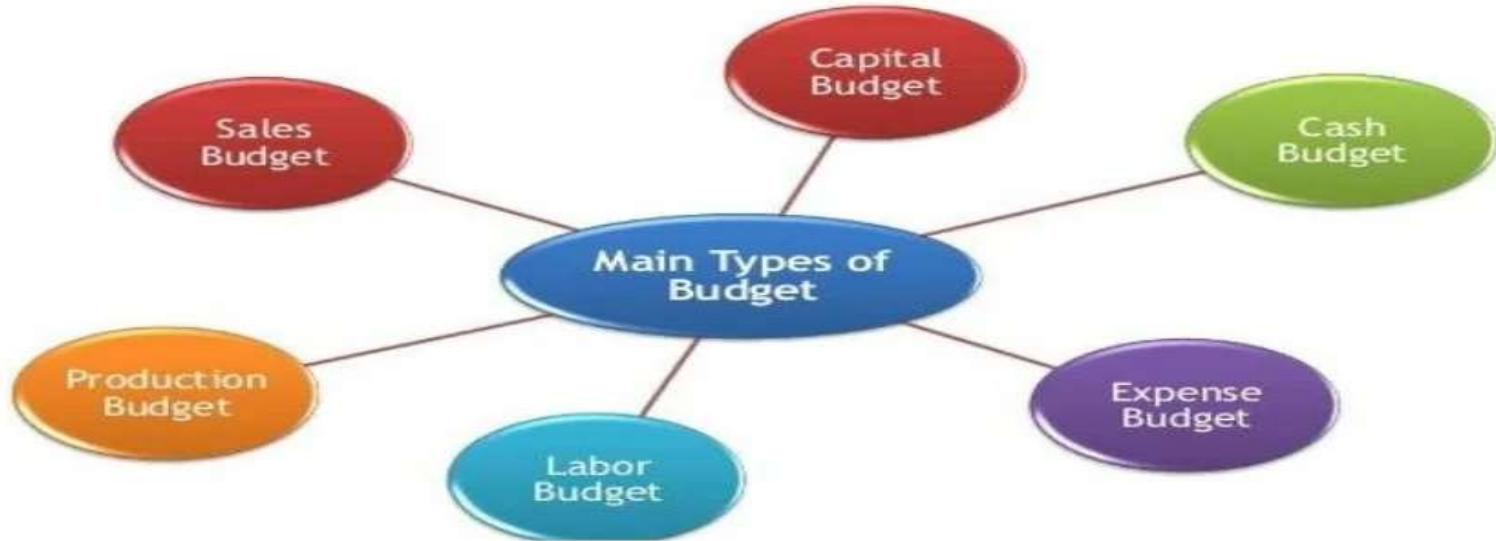
• 2 years

Long term
budget

• 5-10 years



Types of Budgets



Classification of Budgets

According to time

Long term budget

Short term budget

According to function

Sales Budget

Production Budget

Cost of Production Budget

R&D Budget

Cash Budget

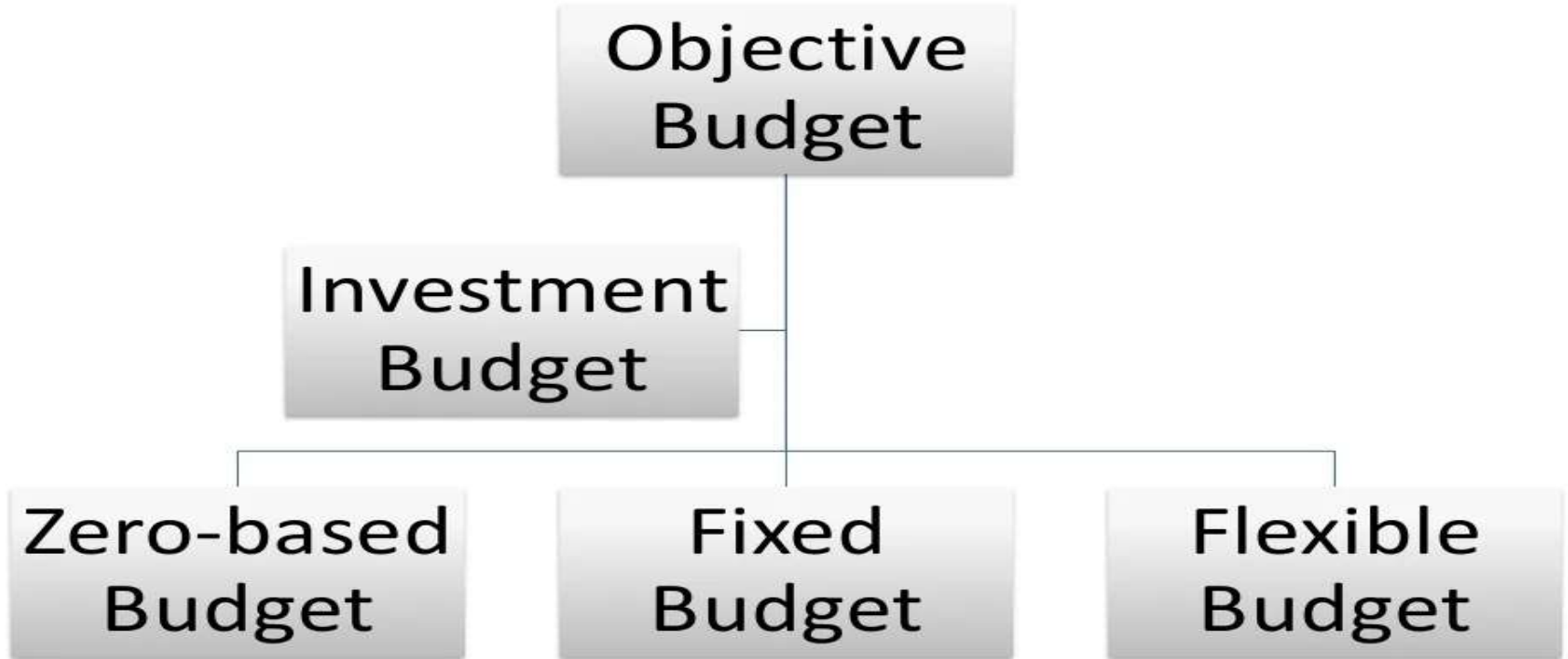
Master Budget

According to flexibility

Fixed Budget

Flexible Budget

Types of Budget's



Preparation of Budgets

Each budget is classified into 3- divisions-



1. Income Account

- Total income must be calculated for the implementation of the budget.
- Income is calculated by maintaining daily/weekly/monthly/annual records.
- The avg. total sum up represents income of the department from various sources.
- Pharmacy department or accounts department maintains daily, weekly, monthly & annual cost of the pharmaceuticals issued to the patient services.



- ❑ Hospital income further depends upon the type of patients, i.e. category of patients-
 - ❑ No of prescriptions
 - ❑ No of prescriptions dispensed by each pharmacist
 - ❑ Hours of work put in Prescription volume per hour of service
 - ❑ Medication cost per patient day
 - ❑ Average drug cost per clinic visit
 - ❑ Average salary cost per prescription
 - ❑ Average supply cost per requisition



2. Expenditure Accounts

- ❖ Expenditure A/C further divided into following expenses-
 - *Administrative and general expenses.*
 - *Professional care of the patients.*
 - *Out-patients and emergency expenses.*
 - *Miscellaneous expenses.*



- The expenditure accounts includes the following categories-
 - *Salaries and wages*
 - *Supplies and expenses*
 - *Drugs and pharmaceutical expenses*
 - *Purchase expense*
 - *Miscellaneous supplies and expenses.*



- **Salaries & Wages:-** To give permanent & temporary staff salaries; the chief pharmacist should sub-divided the staff in to three important categories-



Supplies & Materials:- Budgeted for each item presenting actual cost of material and supplies. It includes the cost of prescriptions purchased from an outside pharmacy. This help in preparation of estimate for next financial year. For addition of new material & supplies, the chief pharmacist should ascertain its cost & submit them for next budget.

Drugs and pharmaceuticals:

- ✓ Those dispensed by prescriptions.
- ✓ Those used in the outpatients and emergency departments.
- ✓ Charges for the latter are submitted to the respective departments.

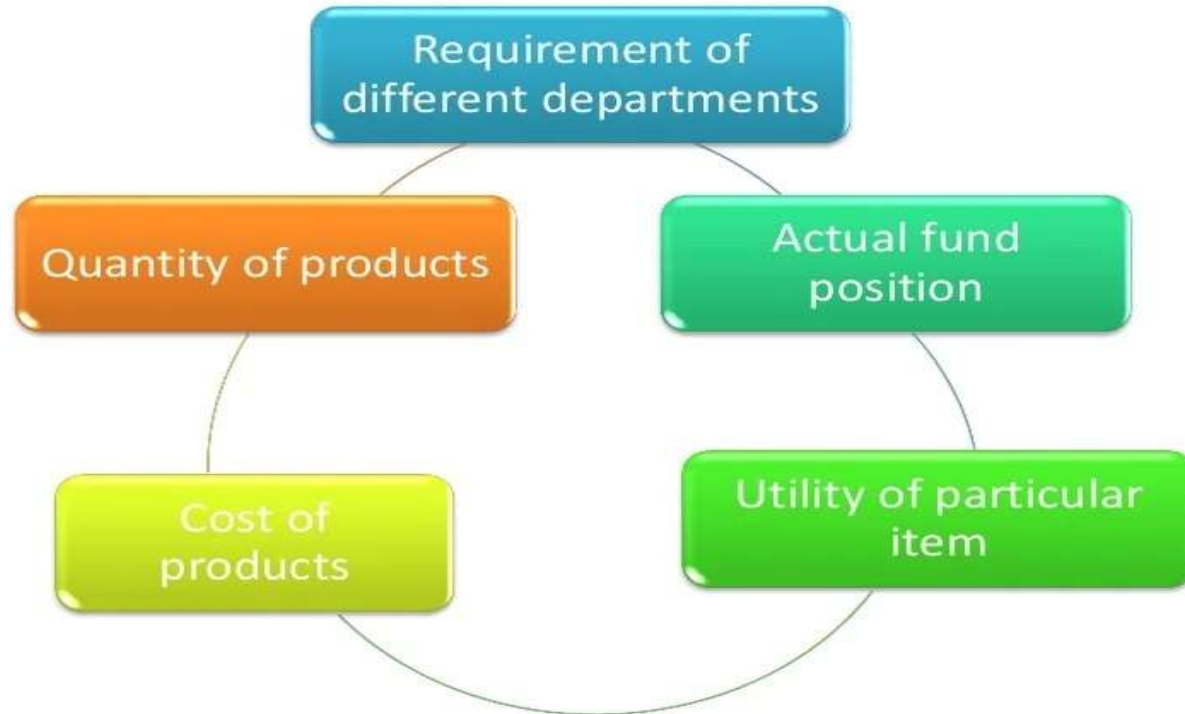
3. Equipment & Construction Budget

- It requires major monetary funds.
- Budget for immediate arrangements of a new model equipment.
- Budget for remodeling and replacement of equipment.
- Construction of building.

Implementation of Budget

- ❑ Need for implementation in hospital budget can be clearly illustrated by comparing two captains sailing down a wide & shallow river.
- ❑ The usual budget proposal are annually prepared but it can vary form 3-5 years duration to take into account long term planning.

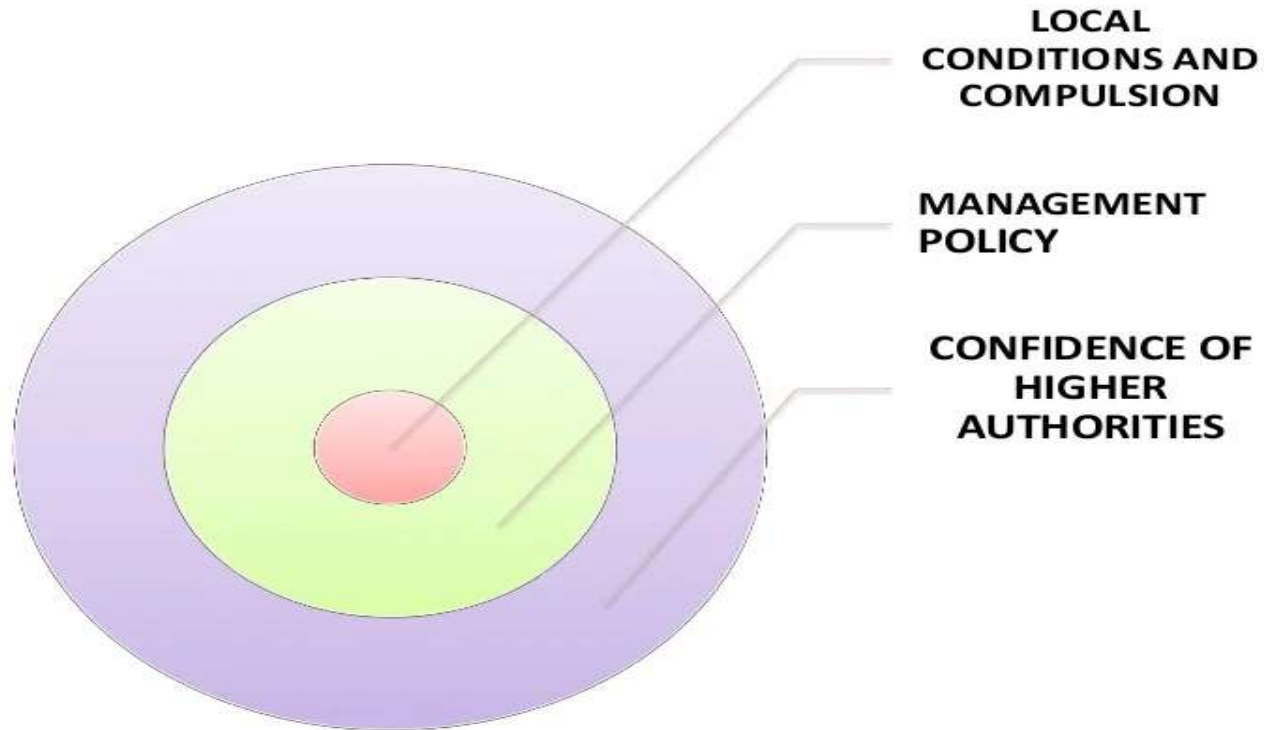
- A proper budgeting system facilitates the hospital administration to take right decision according the local needs, requirements & the order of priorities.
- It includes the following parameters-



ADVANTAGES OF PLANNING THE BUDGET



Factors Affecting Budget Preparations:



THANK YOU