HPM 340
Foundations of Health Care Financial Management
Credit Hours: 3
Department of Health Policy and Management
Gillings School of Global Public Health

Syllabus and Course Schedule
Spring 2018
Class Location: 228 Rosenau Hall
Meeting Times: TTH 11:00 am – 12:15 pm

Faculty: Kristin Reiter
Office: 1104H McGavran-Greenberg Hall
Email: reiter@ad.unc.edu
Phone: (919) 843-8619
Office Hours: Tuesdays, 9:00 – 11:00 am, and by appointment

TA: Lauren Ahlers
Location:
Email: laleah@live.unc.edu
Phone:
Office Hours: To be determined

Course Overview
This course is designed to impart a working knowledge of introductory accounting and financial management concepts, techniques, and vocabulary as they apply to health care organizations. The course is divided into three modules. In the first module we will focus on understanding the principles and practices of financial accounting, and the methods for analyzing and using financial accounting information for decision-making. In the second module we will develop skills in the valuation of cash flows, and discuss ways that health care organizations use financial markets to raise funds and invest in projects. In the final module we will explore managerial accounting concepts, and apply these concepts to organizational planning and control.

Learning Objectives, HPM Competencies and Assessment Methods

<table>
<thead>
<tr>
<th>Course Learning Objective</th>
<th>BSPH Program in Health Policy &amp; Management Competencies</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>By the time students finish this course, they should be able to...</strong></td>
<td><strong>Through this course, students will further develop the following knowledge, skills, and abilities...</strong></td>
<td><strong>This competency is assessed in the following course requirements...</strong></td>
</tr>
</tbody>
</table>

Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
Define, explain and correctly use introductory accounting and financial management terms and concepts as they relate to health care organizations

| Business Skills: Financial Management | Team assignments: Current issue presentation and Novant Case Individual: Problem Sets 1-8; Exams 1, 2 and 3 |
| Read and construct basic financial reports for health care organizations using principles of financial accounting and financial management | Business Skills: Financial Management | Team assignments: Novant Case Individual: Problems sets 1,2, 5-8; Exams 1, 2 and 3 |
| Perform and interpret standard financial analyses used in financial planning, decision-making and control using Microsoft EXCEL | Research, Analysis & Problem Solving Skills Business Skills: Financial Management | Team assignments: Novant Case Individual: Problem Sets 5 and 7 |

Resources

Website
HPM 340 has its own website using Sakai software. (See http://sakai.unc.edu.) This syllabus is on the website. Course materials including Power Point presentations, assignments and announcements will be posted periodically so you should check the website regularly.

Text
Required:

Supplemental Readings
Supplemental readings are included periodically throughout the course. Citations for any supplemental readings are included in the course schedule for the class session to which they relate. All supplemental readings are available through the University Library e-reserves system. The link is posted on Sakai.

Web Sources
There are several websites that you may find useful. The websites contain various financial management tools, reports, and articles that are relevant to the material covered in this course. Review of the websites is not required. The URLs are provided as a service.

• The Securities and Exchange Commission (www.sec.gov) (www.investor.gov)

Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
• The Internal Revenue Service (www.irs.gov)
• The Healthcare Financial Management Association (www.hfma.org)
• The ‘Feed the Pig’ Campaign of the American Institute of Certified Public Accountants (www.feedthepig.org)
• The ‘360 Degrees of Financial Literacy’ Project of the American Institute of Certified Public Accountants (www.360financialliteracy.org)
• The Centers for Medicare and Medicaid Services (www.cms.hhs.gov)
• The Kaiser Family Foundation (www.kff.org)
• The American Hospital Association (www.aha.org)
• The Medical Group Management Association (www.mgma.org)

Requirements and Expectations

Problem Sets
There will be eight take-home problem sets that will allow you to apply what you have learned to problems related to financial reporting, decision-making, planning and control. Problem sets are worth 10 points each and will generally consist of seven to ten questions. Five questions from each problem set will be selected for grading; however, solutions to all problems will be made available on Sakai. Graded problems will be scored on a [0,1,2] scale with 0 reflecting no attempt to solve the problem, 1 reflecting a reasonable effort but with error(s), and 2 reflecting an entirely correct solution. Your final problem set grade will be based on your top seven out of eight scores (i.e., the lowest score will be dropped). Some assignments may be completed by hand, while others must be completed in Microsoft EXCEL® and submitted electronically via Sakai. Submission requirements will be noted on each problem set. All assignments are due by 11 a.m. on the due date unless otherwise noted. Unless you have made arrangements with me in advance, any problem set submitted late will automatically be penalized 10% per day beginning immediately after it is due. I encourage you to work together on homework; however, everyone must submit their own solutions to the problem sets in their own words and/or in their own spreadsheets. An identical homework solution from two or more students is an indication of cheating. This is for your own benefit. You must be able to work problems yourself to be successful on exams.

Case
Students will work in assigned teams for the purpose of completing a mini-case on reading and analyzing financial statements.

Each team is expected to read a set of financial statements that will be provided, answer questions regarding the structure and content of the financial statements, prepare a spreadsheet to analyze the financial statements using financial ratios, and prepare a summary of key findings from the financial analysis and recommendations based on that analysis. Case solutions must be submitted via Sakai by 11:00 a.m. on TUESDAY, FEBRUARY 13, 2018. The case will be

Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
discussed in class on Tuesday, February 13th, 2018. You should be prepared to discuss your findings and recommendations.

Case grades will be based on the following criteria. A rubric will be provided with the assignment:
* Correct answers to short-answer questions in Part I (10 percent)
* Correct calculation of financial ratios and complete analysis in Part II (30 percent)
* Correct interpretation of financial ratios in Part II (30 percent)
* Logical and appropriate summary of findings and recommendations (20 percent)
* Quality, not quantity, of your group’s contribution to the class discussion (10 percent)

**Current Issue Presentations**
Students work in their assigned teams for the purpose of completing presentations.

To reinforce the course material with examples of finance in practice, each group will choose a current issue in health care finance and present a 10-minute “management briefing” on the topic. A list of possible topics will be posted to Sakai; however, groups may choose a topic of their own with approval of the instructor. Students are expected to identify an article from a newspaper, journal, government agency, or other credible source that will serve as the basis for the presentation. However, students should also use resources from the library, Internet or course materials to supplement the information presented in the article.

Presentations should be prepared in Power Point and submitted, along with the article or a link to the article, to the instructor in advance of the scheduled presentation. Team assignments, additional instructions, evaluation criteria and the order of presentations are available on Sakai.

**Peer Evaluations**
There will be two opportunities to reflect on how your team is working together, and to provide feedback to your teammates. You will complete mid-term and final peer evaluations during which you will rate your peers on several dimensions, and have an opportunity to provide written comments to the group. Your individual peer evaluation grade will be based on the average of the evaluations you receive on your own performance from other members of your team. However, if you fail to turn in a peer evaluation of yourself and your team members, your grade for the peer evaluation will be a zero. Your colleagues deserve feedback from you, just as you deserve feedback from them. I expect that all feedback will be constructive, and will be delivered in a professional and respectful manner.

**Exams**
Exams are in-class, closed book, and may consist of multiple choice, true-false, short answer, problems, and brief essay questions. Exams require students to demonstrate basic knowledge and comprehension, to apply concepts to specific problems, and to analyze how different concepts apply to real-world situations. Exams cover material from required readings, lectures, problem sets, cases, in-class exercises, guest speakers (if applicable), and in-class discussions.

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Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
The first mid-term on February 15, 2018 covers Module 1 – Financial Accounting. The second mid-term on March 29, 2018 covers Module 2 – Corporate Finance. The final exam on Monday, April 30, 2018 at noon (the scheduled University exam date and time) covers Modules 1, 2 and 3, but is more heavily weighted toward Module 3 – Managerial Accounting. Students may bring one 8 ½ by 11 page of formulas to each exam, one side only.

Class Participation
Students are expected to come to class prepared to participate in discussions and in-class exercises. Class preparation, including assigned readings, is integral to your learning experience. Class time will be used to reinforce, expand upon, practice or add to the material presented in the text.

Cell Phones and Laptops
Turn off cell phones in class and during exams. Laptops may be used in class only for taking notes, completing exercises, or looking up information relevant to the topic being discussed.

Other
Attendance
I do not take attendance; however, class attendance and active participation are required for success in this course. The course will cover some material that is either not covered, or not sufficiently covered, in the text. Example problems will be presented in class that will aid in understanding various concepts. Students should come to each class prepared with paper, pencil and a calculator or computer. If you miss a class, you are responsible for getting notes from a classmate and following up with the instructor or the TA to go over anything you do not understand.

Missed Work
Missed problem sets, cases, presentations or exams can be made up only in cases of ARS-approved accommodations, extreme circumstances (e.g., death in the family, serious illness), religious observance of which you notify me in advance, or travel related to University activities. An official excuse from a team coach or other University official is required for any missed exams. As noted earlier, problem sets submitted after the due date and time will automatically be penalized 10% per day beginning immediately, unless you have made arrangements with me in advance. If you know you will miss an exam, you must notify me at least one week in advance and make arrangements to take the exam prior to the scheduled exam time. Any student taking an exam early may not disclose any information related to the exam or the topics covered. Any communication with other students regarding the exam is a violation of the Honor Code of the University of North Carolina.

Using or Posting Course Materials to Outside Websites
Posting course materials to websites such as CourseHero is a violation of the Honor Code of the University of North Carolina. Similarly, use of course materials posted to websites such as CourseHero is considered unauthorized assistance and is also a violation of the Honor Code.

Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
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**Evaluation Method**

**Grade Components**

<table>
<thead>
<tr>
<th>Component</th>
<th>Percent of Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current issue presentation</td>
<td>10%</td>
</tr>
<tr>
<td>Case</td>
<td>10%</td>
</tr>
<tr>
<td>Problem sets</td>
<td>10%</td>
</tr>
<tr>
<td>Peer evaluations*</td>
<td>5%</td>
</tr>
<tr>
<td>Exam I</td>
<td>20%</td>
</tr>
<tr>
<td>Exam II</td>
<td>20%</td>
</tr>
<tr>
<td>Final exam</td>
<td>25%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Your individual peer evaluation grade will be based on the average of the evaluations you receive on your own performance from other members of your team. However, if you fail to turn in a peer evaluation of yourself and your team members, your grade for the peer evaluation will be a zero. Your colleagues deserve feedback from you, just as you deserve feedback from them.*

**Grading Scale**

94 to 100  (A)  
90 to 93   (A-)  
87 to 89   (B+)  
84 to 86   (B)   
80 to 83   (B-)  
77 to 79   (C+)  
74 to 76   (C)   
70 to 73   (C-)  
67 to 69   (D+)  
60 to 66   (D)   
Below 60   (F)   

No questions regarding any grades will be addressed more than one week after the graded assignments have been returned.

**Evaluation Criteria**

Evaluation for this course is based on successful completion of all requirements. Specific evaluation criteria for each requirement are provided on Sakai or with the assignment or exam.

**UNC Honor Code**

The principles of academic honesty, integrity, and responsible citizenship govern the performance of all academic work and student conduct at the University as they have during the long life of this University.

Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
institution. Your acceptance of enrollment in the University presupposes a commitment to the principles embodied in the Code of Student Conduct and a respect for this most significant Carolina tradition. Your reward is in the practice of these principles.

Your participation in this course comes with the expectation that your work will be completed in full observance of the Honor Code. Academic dishonesty in any form is unacceptable, because any breach in academic integrity, however small, strikes destructively at the University's life and work.

If you have any questions about your responsibility or the responsibility of faculty members under the Honor Code, please consult with someone in either the Office of the Student Attorney General (966-4084) or the Office of the Dean of Students (966-4042).

Read “The Instrument of Student Judicial Governance” (http://instrument.unc.edu).

Recognizing, Valuing, and Encouraging Diversity

The importance of diversity is recognized in the mission statement of HPM. In the classroom, diversity strengthens the products, enriches the learning, and broadens the perspectives of all in the class. Diversity requires an atmosphere of inclusion and tolerance, which oftentimes challenges our own closely-held ideas, as well as our personal comfort zones. The results, however, create a sense of community and promote excellence in the learning environment. This class will follow principles of inclusion, respect, tolerance, and acceptance that support the values of diversity.

Diversity includes consideration of: (1) life experiences, including type, variety, uniqueness, duration, personal values, political viewpoints, and intensity; and (2) factors related to “diversity of presence,” including, among others, age, economic circumstances, ethnic identification, family educational attainment, disability, gender, geographic origin, maturity, race, religion, sexual orientation, social position, and veteran status.

If at any time you feel that I, as the instructor am, or anything about this course is failing to meet your expectations with regard to diversity and inclusion, please reach out to me or the TA either in person or anonymously (e.g., a note under my door) to let us know. This is a partnership and I hope you will feel empowered to tell us if there are things that need to be improved. I am Safe Zone trained.

Disability Accommodation

UNC-CH supports all reasonable accommodations, including resources and services, for students with disabilities, chronic medical conditions, a temporary disability, or a pregnancy complication resulting in difficulties with accessing learning opportunities. All accommodations are coordinated through the UNC Office of Accessibility Resources & Services (ARS),
http://accessibility.unc.edu; phone 919-962-8300 or email accessibility@unc.edu. Students must document/register their need for accommodations with ARS before any accommodations can be implemented.

Course Evaluation

HPM participates in the UNC-CH’s online course evaluation system, enabled at the end of each semester by Scantron Class Climate. Your responses will be anonymous, with feedback provided in the aggregate. Open-ended comments will be shared with instructors, but not identified with individual students. Your participation in course evaluation is an expectation, since providing constructive feedback is a professional obligation. Feedback is critical, moreover, to improving the quality of our courses, as well as for instructor assessment.
### HPM 340

**Foundations of Health Care Financial Management**  
*Department of Health Policy and Management*  
School of Public Health

**CLASS SCHEDULE**

<table>
<thead>
<tr>
<th>MODULE I:</th>
<th>FINANCIAL ACCOUNTING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Session 1.1</td>
<td>11Jan</td>
</tr>
<tr>
<td><strong>Course Introduction, Course Overview, and Brief Discussion of U.S. Health Care Environment</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Rationale:</strong></td>
<td>This session provides an overview of course content and describes how the course is structured and operates. The discussion of the health care environment helps put the course content in context.</td>
</tr>
</tbody>
</table>
| **Session Learning Objectives:** | • Know what the course will cover  
• Know how the course is structured, including its website, readings, problem sets, exams, case and group presentation  
• Know what is expected of students |
| **Key Concepts:** | NOT APPLICABLE |
| **Readings:** | Syllabus and skim Chapters 1 & 2 in Gapenski, *Healthcare Finance* |
| **Assignments:** | NONE |
| **Comments:** | NONE |

<table>
<thead>
<tr>
<th>Session 1.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>16Jan</td>
</tr>
<tr>
<td><strong>Financial Accounting Overview</strong></td>
</tr>
<tr>
<td><strong>Rationale:</strong></td>
</tr>
</tbody>
</table>
| **Session Learning Objectives:** | • Be familiar with the financial accounting environment  
• Apply the financial accounting conceptual framework to economic activity  
• Define accounting terms  
• Correctly use accounting vocabulary to describe economic activity |
| Key Concepts: | • Generally Accepted Accounting Principles (GAAP)  
|             | • Revenue recognition and matching  
|             | • Accrual vs. cash accounting  
|             | • Assets, liabilities, equity, revenue and expenses  
| Readings:   | Chapter 3 in Gapenski, Healthcare Finance  
| Assignments:| Readings; In-class accounting exercise; Work on problem set 1  
| Comments:   | NONE  
| Sessions 1.3 & 1.4 | 18Jan & 23Jan  
| Rationale: | This session provides an in-depth discussion of the income statement including timing, structure, and content.  
| Session Learning Objectives: | • Define income statement terms and correctly use accounting vocabulary to describe economic activity  
|             | • Read and interpret a company’s income statement  
|             | • Estimate cash flow  
|             | • Determine the effects of misstatements on financial statement balances  
| Key Concepts: | • Revenues  
|             | • Expenses  
|             | • Depreciation  
|             | • Net income  
|             | • Net income vs. cash flow  
|             | • Use of estimates  

Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
| Readings: | Chapter 3 in Gapenski, *Healthcare Finance*  
Care USA Annual Report, 2015 Income Statement and Relevant Notes  
UNC Healthcare Annual Report, 2016 Income Statement and Relevant Notes |
| Assignments: | Readings; Work on problem set 1 |
| Comments: | Readings listed for this and all subsequent class sessions should be completed prior to coming to each class. |
| Session 1.5 25Jan | The Balance Sheet |
| Rationale: | *This session provides an in-depth discussion of the accounting equation and the structure and timing of the balance sheet. This session will focus on assets.* |
| Session Learning Objectives: | • Define balance sheet terms and correctly use accounting vocabulary to describe economic activity  
• Know and apply the accounting equation  
• Read and interpret a company’s balance sheet |
| Key Concepts: | • The accounting equation  
• Assets  
• Patient accounts receivable and the allowance for doubtful accounts |
| Readings: | Chapter 4 in Gapenski, *Healthcare Finance*  
Care USA Annual Report, 2015 Balance Sheet and Related Notes  
UNC Healthcare Annual Report, 2016 Balance Sheet and Related Notes |
| Assignments: | Readings; Work on problem set 1  
**Team 1 Presents Current Issue**  
**Session 1.6**  
**30Jan**  
The Balance Sheet and the Statement of Cash Flows  
**Rationale:**  
*This session provides an in-depth discussion of liabilities and equity on the balance sheet and a brief discussion of the statement of cash flows.*  
**Session Learning Objectives:**  
- Define balance sheet terms and correctly use accounting vocabulary to describe economic activity  
- Use the accounting equation to describe an organization’s financial position  
- Read and interpret a company’s balance sheet  
- Read and interpret a company’s statement of cash flows  
- Identify the relationships among the financial statements  
**Key Concepts:**  
- The accounting equation  
- Liabilities  
- Equity  
- The link between the balance sheet and income statement  
- Fund accounting and restrictions  
- Cash flow  
**Readings:**  
Chapter 4 in Gapenski, *Healthcare Finance*  
**Assignments:**  
Readings; Work on problem set 2; In-class balance sheet exercise  
**Problem Set 1 due by 11 a.m.**  
**Session 1.7**  
**01Feb**  
The Accounting Cycle and Recording Transactions  
**Rationale:**  
*This session provides a review of the accounting cycle and an overview of the double entry accounting process and the recording of transactions.*  
**Session Learning Objectives:**  
- Analyze business activity with accounting concepts and principles  
**Key Concepts:**  
- The accounting equation  
- The double entry accounting system  
- Recording transactions  
**Readings:**  
Chapter 4 in Gapenski, *Healthcare Finance*  
**Assignments:**  
Readings; In-class exercise “Tina Tucker”; Work on problem set 2  
*Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.*
### Session 1.8  06Feb
**Analyzing Financial Statements**

<table>
<thead>
<tr>
<th>Rationale:</th>
<th>This session provides a discussion of financial ratios and their application in financial analysis. The session will focus on both the calculation and interpretation of ratios.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Session Learning Objectives:</td>
<td>• Analyze business activity with financial ratios and make recommendations based on analysis</td>
</tr>
</tbody>
</table>
| Key Concepts: | • Financial analysis  
• Profitability ratios  
• Liquidity ratios  
• Debt (capital structure) ratios  
• Activity ratios |
| Readings: | Chapter 17 in Gapenski, Healthcare Finance  
Fundamentals of NGO Sustainability, Chapter 5, Financial Accounting |
| Assignments: | Readings; Work on Novant Case  
**Problem Set 2 due to Sakai by 11 a.m.** |

### Session 1.9  08Feb
**Analyzing Financial Statements**

<table>
<thead>
<tr>
<th>Rationale:</th>
<th>This session provides a discussion of other financial analytic techniques and operating indicator analysis.</th>
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<tbody>
<tr>
<td>Session Learning Objectives:</td>
<td>• Analyze business activity with accounting concepts and principles</td>
</tr>
</tbody>
</table>
| Key Concepts: | • Horizontal analysis  
• Vertical analysis  
• Operating indicator analysis  
• Limitations of financial analysis |
| Readings: | Chapter 17 in Gapenski, Healthcare Finance |
| Assignments: | Readings; Work on Novant Case; In-class financial statement analysis activity  
**Team 2 Presents Current Issue** |

### Session 1.10  13Feb
**Discuss Analyzing Financial Statements Mini-Case “Novant Health, Inc. & Affiliates” & Review for Midterm Exam**

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*Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.*
<table>
<thead>
<tr>
<th><strong>Rationale:</strong></th>
<th><em>The first half of this session focuses on the application of financial statement analysis to an actual company. The remainder focuses on review of key concepts and skills covered in Module 1.</em></th>
</tr>
</thead>
</table>
| **Session Learning Objectives:** | - Understand how financial management concepts are applied in practice  
- Read and interpret a company’s financial statements  
- Analyze business activity with accounting concepts and principles and make recommendations based on analysis |
| **Key Concepts:** | - Financial analysis  
- Profitability ratios  
- Liquidity ratios  
- Debt (capital structure) ratios  
- Activity ratios |
| **Readings:** | NONE |
| **Assignments:** | Study for Midterm Exam; Come to class prepared with questions  
**Novant Health Mini-Case Team Solutions due to Sakai by 11 a.m.** |
| **Comments:** | NONE |

**Session 1.11 15Feb**  
**MIDTERM EXAM I**

| **Rationale:** | *Exams require students to demonstrate basic knowledge and comprehension, to apply concepts to specific problems, and to analyze how different concepts apply to real-world situations.* |
| **Session Learning Objectives:** | NOT APPLICABLE |
| **Key Concepts:** | NOT APPLICABLE |
| **Readings:** | NONE |
| **Assignments:** | NONE |
Comments: Exams are in-class, closed book, and may consist of multiple choice, true-false, short answer, problems, and brief essay questions. Exams cover material from required readings, lectures, problem sets, cases, in-class exercises, guest speakers, and in-class discussions. The first midterm covers Module 1 – Financial Accounting, including Chapters 3, 4 and 17. **Students may bring one 8.5 by 11 page of formulas to each exam, one side only. Students should bring a calculator to each exam.**

<table>
<thead>
<tr>
<th>MODULE II: CORPORATE FINANCE</th>
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<tbody>
<tr>
<td><strong>Session2.1</strong></td>
</tr>
</tbody>
</table>

**Rationale:** *The beginning of this session focuses on wrapping up and reviewing concepts from the first module. Student feedback will be solicited to inform the teaching methods for the remainder of the course. The rest of the session focuses on the management of current assets including cash, marketable securities and accounts receivable; management of the revenue cycle and on sources and costs of short-term financing.*

**Session Learning Objectives:**
- Reflect on learning in module 1
- Discover ways to improve learning in modules 2 and 3
- Calculate and explain the benefits of accelerating receivables collection
- Discuss alternative ways of monitoring receivables
- Define and explain the revenue cycle
- Name and calculate the cost of different sources of short-term financing

**Key Concepts:**
- Risk / return trade-off
- Receivables collection period
- Carrying cost of receivables
- Aging schedule
- Revenue cycle
- Costly trade credit

Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
Readings: Chapter 16 in Gapenski, *Healthcare Finance*


Assignments: Readings; Work on problem set 3

Comments: NONE

<table>
<thead>
<tr>
<th>Session</th>
<th>Date</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2</td>
<td>22Feb</td>
<td>Continue Revenue Cycle and Current Accounts Management</td>
</tr>
</tbody>
</table>

Rationale: This session focuses on the management of current assets including cash, marketable securities and accounts receivable; management of the revenue cycle and on sources and costs of short-term financing.

Session Learning Objectives:
- Calculate and explain the benefits of accelerating receivables collection
- Discuss alternative ways of monitoring receivables
- Define and explain the revenue cycle
- Name and calculate the cost of different sources of short-term financing

Key Concepts:
- Risk / return trade-off
- Receivables collection period
- Carrying cost of receivables
- Aging schedule
- Revenue cycle
- Costly trade credit

Readings: Chapter 16 in Gapenski, *Healthcare Finance*


Assignments: Readings; Work on problem set 3

Comments: NONE

<table>
<thead>
<tr>
<th>Session</th>
<th>Date</th>
<th>Details</th>
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<tbody>
<tr>
<td>2.3</td>
<td>27Feb</td>
<td>Time Value Analysis</td>
</tr>
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</table>

Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
<table>
<thead>
<tr>
<th>Rationale:</th>
<th><em>This session focuses on the time value of money and the concept of opportunity cost.</em></th>
</tr>
</thead>
</table>
| Session Learning Objectives: | • Explain the economic rationale underlying time value of money  
• Calculate present and future values of lump sums, annuities and uneven cash flow streams  
• Explain and apply the opportunity cost principle |
| Key Concepts: | • Simple interest  
• Compound interest  
• Present value (Discounting)  
• Future value (Compounding)  
• Lump sum  
• Annuity (ordinary and annuity due)  
• Uneven cash flow stream  
• Opportunity cost |
| Readings: | Chapter 9 in Gapenski, Healthcare Finance |
| Assignments: | Readings; Work on problem set 4  
**Problem Set 3 due to Sakai by 11 a.m.** |
| Session 2.4 | 01Mar  
**Time Value Analysis** |
| Rationale: | *This session focuses on the time value of money and the concept of opportunity cost.* |
| Session Learning Objectives: | • Explain the economic rationale underlying time value of money  
• Calculate present and future values of lump sums, annuities and uneven cash flow streams  
• Explain and apply the opportunity cost principle |
| Key Concepts: | • Simple interest  
• Compound interest  
• Present value (Discounting)  
• Future value (Compounding)  
• Lump sum  
• Annuity (ordinary and annuity due)  
• Uneven cash flow stream  
• Opportunity cost |
<p>| Readings: | Chapter 9 in Gapenski, Healthcare Finance |</p>
<table>
<thead>
<tr>
<th>Assignments:</th>
<th>Readings; Work on problem set 4; In-class time value analysis activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Session 2.5</strong></td>
<td>06Mar</td>
</tr>
<tr>
<td><strong>Rationale:</strong></td>
<td>This session focuses on the concept of investment returns and provides a discussion of more advanced time value of money concepts including intra-year compounding and amortizing loans.</td>
</tr>
</tbody>
</table>
| **Session Learning Objectives:** | • Calculate internal rate of return  
• Create an amortization table  
• Describe and apply stated, periodic, and effective annual interest rates |
| **Key Concepts:** | • Discounted cash flow return  
• Internal rate of return  
• Loan amortization  
• Stated interest rate  
• Periodic interest rate  
• Effective annual interest rate  
• Intra-period compounding |
| **Readings:** | Chapter 9 in Gapenski, Healthcare Finance |
| **Assignments:** | Readings; Work on problem set 4; In-class time value analysis activities |
| **Session 2.6** | 08Mar | Long-term Debt Financing |
| **Rationale:** | This session focuses on interest rates and the valuation of debt securities. |
| **Session Learning Objectives:** | • Discuss the components of interest rates on debt securities  
• Calculate the value of debt securities |

*Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.*
Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
Readings: Chapter 14 in Gapenski, *Healthcare Finance*


Assignments: Readings; Work on problem set 5

**Problem Set 4 Due by 11 a.m.**

<table>
<thead>
<tr>
<th>Session 2.10</th>
<th>22Mar</th>
<th>Capital Budgeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rationale:</td>
<td></td>
<td>This session discusses methods for analyzing capital projects and allocating scarce resources to fixed capital investments.</td>
</tr>
</tbody>
</table>
| Session Learning Objectives: |       | • Define payback, NPV, IRR and state their strengths and weaknesses  
| | | • Conduct payback, NPV, and IRR analyses and use them to make recommendations |
| Key Concepts: |       | • Payback  
| | | • Net present value  
| | | • Internal rate of return  
| | | • Qualitative analysis  
| | | • Post-audit |

Readings: Chapter 14 in Gapenski, *Healthcare Finance;*


Assignments: Readings; Work on problem set 5; In-class capital budgeting exercise

**Team 5 Presents Current Issue**

<table>
<thead>
<tr>
<th>Session 2.11</th>
<th>27Mar</th>
<th>Discuss Problem Set 5; Review for Midterm Exam 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rationale:</td>
<td></td>
<td>This session focuses on review of key concepts and skills covered in Module 2.</td>
</tr>
<tr>
<td>Session Learning Objectives:</td>
<td>NOT APPLICABLE</td>
<td></td>
</tr>
<tr>
<td>Key Concepts:</td>
<td>NOT APPLICABLE</td>
<td></td>
</tr>
<tr>
<td>Readings:</td>
<td>NONE</td>
<td></td>
</tr>
</tbody>
</table>

*Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.*
Assignments: 

Study for Midterm Exam: Come to class prepared with questions **Problem Set 5 due to Sakai by 11 a.m.**

Comments: 

NONE

Session 2.12  29Mar  MIDTERM EXAM II

Rationale: Exams require students to demonstrate basic knowledge and comprehension, to apply concepts to specific problems, and to analyze how different concepts apply to real-world situations.

Session Learning Objectives: NOT APPLICABLE

Key Concepts: NOT APPLICABLE

Readings: NONE

Assignments: NONE

Comments: Exams are in-class, closed book, and may consist of multiple choice, true-false, short answer, problems, and brief essay questions. Exams cover material from required readings, lectures, problem sets, cases, in-class exercises, guest speakers, and in-class discussions. The second mid-term covers Module 2 – Corporate Finance including Chapters 16, 9, 11, and 14. **Students may bring one 8 ½ by 11 page of formulas to each exam, one side only. Students should bring a calculator to each exam.**

Assignments: NONE

**MODULE III:** MANAGERIAL ACCOUNTING

Session 3.1  03Apr  Hand Back and Go Over Exam 2 and Begin Cost Behavior and Profit Analysis

Rationale: This session provides an opportunity to review the concepts covered in exam 2. Student feedback will be solicited to inform teaching methods for the remainder of the course. Remaining time will be used to introduce managerial accounting, and discuss the concepts of cost behavior, cost structure, and cost-volume-profit (CVP) analysis.
### Session Learning Objectives:
- Reflect on learning in module 2
- Discover ways to improve learning in module 3
- Define and identify fixed versus variable costs
- Solve for profit and breakeven volume using the CVP equation, the graphical method, projected P&L, and the contribution margin method
- Conduct CVP analysis on different scenarios and use results to make decisions

### Key Concepts:
- Managerial vs. financial accounting
- Variable costs
- Fixed costs
- Semi-fixed costs
- Cost structure
- Cost-volume-profit (CVP) analysis
- Contribution margin

### Readings:
- Chapter 5 in Gapenski, *Healthcare Finance*

### Assignments:
- Readings; Work on problem set 6

### Session 3.2 05Apr Cost Behavior and Profit Analysis

### Rationale:
*This session continues the discussion of cost-volume-profit analysis with a focus on applying the technique to management problems.*

### Session Learning Objectives:
- Define and identify fixed versus variable costs
- Solve for profit and breakeven volume using the cost-volume-profit equation, the graphical method, projected profit and loss, and the contribution margin method
- Conduct CVP analysis on different scenarios and use results to make decisions

*Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.*
Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
### Course Schedule

<table>
<thead>
<tr>
<th>Session</th>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.5</td>
<td>17 Apr</td>
<td>Pricing &amp; Service Decisions</td>
</tr>
<tr>
<td>3.6</td>
<td>19 Apr</td>
<td>Planning and Budgeting</td>
</tr>
</tbody>
</table>

#### Key Concepts:
- Direct method
- Step-down method

#### Readings:
- Chapter 6 in Gapenski, *Healthcare Finance* including Chapter Supplement on Step-Down Cost Allocation
- Chapter 7 in Gapenski, *Healthcare Finance*

#### Assignments:
- Readings; Work on problem set 7; In-class cost allocation activities
- Team 7 Presents Current Issue
- Readings; Work on problem set 8
- Problem Set 7 due to Sakai by 11 a.m.

#### Rationale:
This session discusses approaches to and methods for pricing healthcare services.

#### Session Learning Objectives:
- Calculate service line costs using the ratio of cost-to-charges, relative value units and activity-based costing
- Contrast price setters and price takers
- Define full cost pricing, marginal cost pricing, and target costing and explain when each would be used
- Be able to calculate prices using the full cost and marginal cost method
- Be able to calculate target cost
- Be able to calculate prices / capitation rates with the CVP equation or relative value units (RVUs)

#### Key Concepts:
- Ratio of cost to charges
- Activity-based costing
- Price setter
- Price taker
- Full cost
- Marginal cost
- Target cost
- Relative value units (RVUs)
### Rationale:
This session will provide students with an overview of the planning process and will discuss different types of budgets and budget preparation.

### Session Learning Objectives:
- Explain what is in each major budget
- Develop a simple statistics, revenue, expense, operating and cash budget

### Key Concepts:
- Statistics budget
- Revenue budget
- Expense budget
- Operating budget
- Cash budget
- Capital budget
- Conventional vs. zero-based budgets
- Top-down vs. bottom-up budgeting

### Readings:
Chapter 8 in Gapenski, *Healthcare Finance*

O’Sullivan K. 2010. From adversity, better budgets: tempted to abandon budgeting altogether, companies have instead taken it to a new level. CFO. 26(5): 44-48.

### Assignments:
Readings; Work on problem set 8
**Team 8 Presents Current Issue**

### Session 3.7
24 Apr
**Flexible Budgeting and Variance Analysis**

### Rationale:
This session will cover flexible budgeting and calculation and analysis of volume, price and cost variances for accountability and control.

### Session Learning Objectives:
- Calculate budget variances and identify as favorable / unfavorable
- Understand factors that might drive budget variances

### Key Concepts:
- Flexible budget
- Volume variance
- Flexible budget variance
- Price variance
- Cost variance

### Readings:
Chapter 8 in Gapenski, *Healthcare Finance*
Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.
Tuesday, April 10th  Problem Set 6 due by 11 a.m.
Thursday, April 12th  Team 7 presents current issue
Tuesday, April 17th  Problem Set 7 due by 11 a.m.
Thursday, April 19th  Team 8 presents current issue
Thursday, April 26th  Problem Set 8 due by 11 a.m.; Final peer evaluations due by midnight
Monday, April 30th  FINAL EXAM, 12:00 – 3:00 p.m.

Any necessary changes to the course schedule will be announced in class and posted on Sakai in a revised syllabus.