Key Term Review

- **Activity-based cost management** means that you know the inputs, purpose, and performance for an activity.
- **Assets** are anything the organization owns that has value, such as trucks, equipment, inventory, cash, and investments. Fixed assets—including office furniture, property, and equipment—are used to operate the service but are not available for sale.
- **Balance sheets** provide detailed information about an organization's assets, its liabilities, and shareholders' equity.
- A **budget** is a concrete expression of how well a unit or project is managed and how resources are used.
- **Budgeting** is a process of making plans and quantifying the expected results.
- A **business plan** provides a clear understanding of an organization's customers, strengths, and competition as well as provides a strategy for future expansion.
- **Cash flow statements** report an organization's inflows and outflows of cash.
- **Formula budgeting** distributes money based on the number of full-time students.
- **Income statements** show the money that was earned for a specific period of time and the costs and expenses associated with earning that revenue.
- The **incremental budget model** provides a standard yearly increase per year.
- **Liabilities** are money that an organization owes to others, including rent, money owed to suppliers, payroll owed to employees, environmental cleanup costs, taxes, and obligations to provide goods or services to clients in the future.
- The **redistribution model** of budgeting allows the nurse leader to redistribute funds across different line items.
- **Responsibility-centered management** shifts responsibility for generating revenue from central administration to the unit or department.
- **Shareholder's equity** includes the amount owners invest in the organization's stock plus or minus earnings or losses since inception; earnings can be distributed as dividends.

Leadership Development Exercises

Leadership Development Exercise 12-1

What existing nursing classification system could be used to bill directly for nursing services? Give a rationale for your answer.

Leadership Development Exercise 12-2

Develop a balance sheet for your personal finances.

■ **Leadership Development Exercise 12-3**
Develop a cash flow statement for your personal finances.

■ **Leadership Development Exercise 12-4**
Develop a business plan for a nursing service.

■ **Leadership Development Exercise 12-5**
Discuss why leaders of a nursing program may not be able to obtain the money needed to maintain quality programs.

■ **Leadership Development Exercise 12-6**
Interview a nursing leader for tips on budgeting. Share what you find with at least three other colleagues.

■ **Leadership Development Exercise 12-7**
Look at Table 12-1. For each revenue and expense, examine the variance, and determine which items vary more than 5%. For each of those items, describe at least two steps that could be taken to reduce the variance.

Advanced Leadership Exercises

■ **Leadership Development Exercise 12-8**
Teach budgeting and resource management skills to student nurses in an undergraduate leadership course or to nurses on your team.

■ **Leadership Development Exercise 12-9**
Formulate a problem statement for a nursing project related to budgeting or resource management.

■ **Leadership Development Exercise 12-10**
Design a research project related to budgeting or resource management.

References

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