Introduction to the Financial Management of Healthcare Organizations 8th edition Nowicki Test Bank

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1. *Materials management* is defined as the

a. management and control of inventory.
*b. management and control of services, inventory, and equipment.
c. control of materials purchased.
d. control of the amount of materials used for patient care.

2. Materials management can be classified in which two ways?

a. Equipment and materials
b. Administration and clinical
*c. Administration and patient care
d. Patient care and office materials

3. Inventory management is the

a. management and control of services, inventory, and equipment.
*b. management and control of inventory.
c. control of supplies coming into the organization and supplies used.
d. control of materials purchased.

4. Why do managers sometimes have a hard time determining the right amount of supplies to have on hand?

a. The demand for supplies can fluctuate on the basis of patient volume.
b. Supplies may miss their delivery or be discontinued.
c. There is often a lag time between ordering and receiving the supply.
*d. All of the above

5. Where do costs related to inventory appear on an organization's financial statements?

a. Current asset on the balance sheet
b. Expenses on the statement of revenues and expenses
*c. Both a and b
d. None of the above

6. Which of the following are methods for valuing inventory?

*a. FIFO, LIFO, specific identification, weighted average
b. LIFO, FIFO, weighted average, frequent use
c. FIFO, LIFO, specific identification, frequent use
d. Specific identification, LIFO, FIFO, market method

7. When using the LIFO method of valuing inventory,

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a. the last item put into inventory is the last item taken out.
*b. the last item put into inventory is the first item taken out.
c. the last items taken out of inventory are items with no expiration date.
d. materials with a long shelf life are valued.

9. Carrying costs

a. are the costs associated with holding an inventory of items.
b. include a holding cost.
c. are the costs associated with having vendors hold supplies for organizations.
*d. Both a and b

10. The costs associated with having more than enough inventory in stock are

a. stock-out costs.
b. holding costs.
*c. overstock costs.
d. carrying costs.

11. The costs associated with having too little inventory in stock are

*a. stock-out costs.
b. opportunity costs.
c. overstock costs.
d. carrying costs.

12. Economic order quantity establishes

a. the maximum number of items an organization would want to purchase at one time.
*b. the quantity of items an organization should order each time to minimize costs associated with ordering.
c. the number of items an organization can order in bulk to receive a discount.
d. the quantity of items an organization would have to order each time to maximize costs associated with ordering.

13. The inventory turnover ratio measures

a. how quickly an organization goes through routine supplies.
b. inventory expenses in relation to operating revenue.
c. costs incurred from ordering supplies in relation to total inventory expense.
*d. the number of times inventory is turned in relation to operating revenue.

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14. Using the economic order quantity formula and the total cost formula, and given the following data, what is the economic order quantity?

Price = $100
Demand = 1,000
Ordering cost = $10
Interest = 5%
Holding cost = $0.50
Lag time = 5 days

a. 48 units
*b. 58 units
c. 68 units
d. 78 units

15. Using the data provided, what is the total cost?

Price = $100
Demand = 1,000
Ordering cost = $10
Interest = 5%
Holding cost = $0.50
Lag time = 5 days

*a. $100,346
b. $90,028
c. $108,028
d. $118,028

16. Using the data provided and given a constant demand, how many orders are placed each year?

Price = $100
Demand = 1,000
Ordering cost = $10
Interest = 5%
Holding cost = $0.50
Lag time = 5 days

a. 15
*b. 17
c. 19
d. 21

17. Using the data provided and given a constant demand, how many units remain on the shelf when an order is placed?

Price = $100
Demand = 1,000
Ordering cost = $10
Interest = 5%
Holding cost = $0.50
Lag time = 5 days

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a. 10
b. 12
*c. 14
d. 16

18. Using the data provided and given a constant demand, how many weeks go by between orders?

Price = $100
Demand = 1,000
Ordering cost = $10
Interest = 5%
Holding cost = $0.50
Lag time = 5 days

a. 1
b. 2
*c. 3
d. 4

19. A group of independent organizations working together to deliver products or services to the end user, or patient, is called

*a. a supply chain.
b. cooperative purchasing.
c. value-based purchasing.
d. just-in-time purchasing.

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1. According to Rose Dunn, organizing includes which of the following?

a. Establishing a unity of command
b. Departmentalization
c. Specialization
*d. All of the above

2. The governing body of a healthcare organization is responsible for

a. delegating responsibility to managers.
*b. proper development, utilization, and maintenance of all resources.
c. acting as a liaison between a hospital and its stakeholders.
d. ensuring Joint Commission compliance.

3. A finance committee typically

a. ensures profits are made on a timely basis.
b. oversees all financial activities of a hospital.
*c. monitors the CEO's performance in financial activities.
d. is composed of accounting managers.

4. An entity acting as a fiduciary

*a. has a duty to act in a way that instills trust and confidence.
b. acts as a financial manager for smaller organizations.
c. has a vested financial interest in the organization.
d. acts as a financial representative of the organization.

5. The Sarbanes-Oxley Act was enacted to

a. hold the CEO personally liable for financial misreporting.
b. require for-profit organizations to follow strict corporate accountability standards.
c. ensure healthcare organizations are following standard accounting practices.
*d. Both a and b

6. A chief financial officer's duties include which of the following?

a. Ensuring the organization is making a profit
b. Reporting to governing agencies
c. Providing protection for the assets of the organization
*d. Both b and c

7. To be certified by the Healthcare Financial Management Association (HFMA), a chief financial officer must

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a. pass a written exam on the healthcare industry.
b. have been a member of HFMA for at least two years.
c. complete at least 60 college credit hours.
*d. All of the above

8. According to a survey, a chief financial officer must acquire which of the following leadership skills?

a. Clear communication
b. Ability to maintain strong relationships with physicians
c. Helping establish a positive organizational culture
*d. All of the above

9. A controller is also known as

a. the chief financial officer.
*b. the chief accounting officer.
c. the chief executive officer.
d. the chief operations officer.

10. A treasurer is responsible for managing the _____ of an organization.

a. cash inflows and outflows
b. assets
*c. working capital
d. None of the above

11. A corporate compliance officer is typically responsible for

a. conducting compliance reviews.
b. investigating potential fraud and abuse issues.
c. investigating contracts for possible illegal terms.
*d. All of the above

12. In organizations that do not employ a corporate compliance officer (CCO), _____ generally take over the role of CCO.

*a. chief operating officers
b. chief executive officers
c. elected board members
d. None of the above

13. A chief information officer is typically responsible for which of the following?

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a. Overseeing all information processing and telecommunication systems
b. Assisting senior management with information decision making
*c. Both a and b
d. None of the above

14. Which piece of federal legislation mandated the appointment of a privacy officer?

a. Consolidated Omnibus Budget Reconciliation Act (COBRA)
*b. Health Insurance Portability and Accountability Act (HIPAA)
c. Balanced Budget Act of 1997
d. Medicare Modernization Act of 2003

16. Independent auditors are responsible for ensuring that

*a. accounting reports sent to external agencies are in the correct format.
b. insurance claims are correct before they are sent to insurance companies.
c. hospital accounting departments are following GAAP standards.
d. unpaid claims are sent to a collection agency in a timely fashion.

17. What is the purpose of corporate restructuring?

a. To prepare for changes in reimbursement
b. To acquire and merge with other organizations
*c. To maximize the economic position of the organization by forming corporations
d. None of the above

18. Which of the following is the definition of a foundation?

a. An organization that operates as support for a parent organization
*b. A not-for-profit corporation that facilitates research and undertakes charitable projects
c. A for-profit corporation that facilitates research and undertakes charitable projects
d. An organization that acts as a liaison between a healthcare organization and the community

19. An integrated delivery system

a. is a system of providers.
b. accepts financial responsibility for services.
c. provides a variety of clinical services.
*d. All of the above

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20. Which of the following statements describes the key component of an accountable care organization?

*a. A portion of a physician's reimbursement is tied to accountability.
b. A portion of a physician's reimbursement depends on clinical outcomes.
c. Patients are fully responsible for the cost of their care.
d. A portion of a physician's reimbursement depends on patient satisfaction.

21. Which of the following is NOT a trait of a chief financial officer?

*a. Decision making
b. Strategic thinking
c. Personal integrity
d. Vision

22. The committee that provides investment policy recommendations and monitors actual investment performance against approved investment policy is the

*a. investment committee.
b. audit committee.
c. finance committee.
d. executive committee.

24. Which of the following paragraphs does the independent auditor prepare?

a. Introductory paragraph
b. Scope paragraph
c. Explanatory paragraph
*d. All of the above

25. In the 2019 survey of CEOs conducted by the American College of Healthcare Executives, CEOs ranked _____ concerns as their top concern for the 17th consecutive year.

a. quality
b. physician
*c. financial
d. human resources

26. The CFO competency model adds which new competency?

*a. Creator of a culture of transparency

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b. Communicator
c. Risk avoider
d. Educator

27. The most common degree for compliance officers is the

a. RN
b. MD
c. MBA
*d. JD

28. Which of the following is an agreement by two or more entities identifying capital investment, operating control, and income distribution?

a. Private foundation
b. Parent holding corporation
*c. Joint venture
d. Independent subsidiary

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