**Accounting for Health Care Entities**

**Difference between a Balance Sheet and an Income Statement**

The income statement lists all the revenues and expenses, which net to a loss or profit. It illustrates the current value of the business. On the other hand, a balance sheet indicates the organization’s assets, liabilities as well as the shareholder equity. Therefore, the assets and liabilities of the organization are the most critical areas because they indicate the current value of the firms.

**Why Healthcare Organizations need to examine the Financial Condition of their Businesses**

Organizations’ financial conditions are among the most critical concerns to both the investors as well as the creditors. Therefore, healthcare organizations should proactively examine these conditions to ensure that the profitability aspects of the business are realized (Zimlichman et al., 2013). In addition, managers and owners base their financial decisions on the financial condition of the business. For instance, it will enable them decide on whether to discontinue or continue with the business (Llewellyn, Chambers, Ellwood, Begkos & Wood, 2016).

**Costs Covered**

The expenses covered in the chapter include marginal costs, activity-based costs, fixed cost, and variable costs, (Scott, 2009). Unlike variable cost, fixed costs do not fluctuate with the volume of production. Therefore, the management has little control over fixed cost because they remain the same even if no services or goods are produced.

**Time-Driven Activity-Based Costing**

Different healthcare organizations have increased their investments in the value-based healthcare. Most importantly, time-driven activity-based costing is considered a cost-component, while addressing costing issues. The method is highly applicable in the healthcare industry as it makes costs processes more efficient. Moreover, it reduces the cost of health care delivery as well as clarifying how costs are incurred to improve initiatives in the healthcare industry. Time-driven activity-based costing is also necessary for the providence of costing information serving as the basis for formal payer reimbursement schemes (Keel, Savage, Rafiq & Mazzocato, 2017). In the future, data regarding time-driven activity-based costing will be necessary towards reducing overall costs involved in the medical industry as well as comparing against the reimbursement of tariffs in the market.

**References**

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