

NURS-FPX6216 Assessment 4: Preparing and Managing a Capital Budget

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Program Name or Degree Name (e.g., Bachelor of Science in Psychology), University

COURSE XXX: Title of Course

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Preparing and Managing a Capital Budget

Capital budgeting is an essential component of financial management in healthcare.

Capital budgeting entails allocating funds for purchasing durable healthcare goods such as beds, healthcare machines and equipment, and improving healthcare infrastructure such as buildings.

Capital budgets require vast amounts of money, and capital items often take time before purchasing (Khullar et al., 2020). Capital budgets may go for a period of up to three fiscal years.

This paper will focus on capital acquisition, justification of the capital acquisitions, the capital budget of Maxela Health, the cost calculation process, the budget management plan, and the impact of the renovations on the institution's financial health.

Capital Acquisition

Capital acquisition is the process of acquiring new assets for the institution. The capital assets that will be covered in the capital budget are assets to facilitate the renovation of the nurses' lounge. The renovation will majorly cover the nursing staff lounge. Since the high turnover rates turned out to be a result of the uncondusive working environment, lack of morale, and poor job satisfaction, it is essential to change these conditions. The capital budget will include renovation materials, new furniture for the nurses' lounge, and comfort. The renovated nurses' lounge will have new seats, free internet access, and better amenities such as restrooms. The rationale for renovating the lounge is to accommodate a bigger capacity and provide an aesthetic environment for nurses to meet and relax. According to Long et al. (2020), the timeline set for any project implementation is crucial for its success since it helps the implementors plan on working within the budget parameters. The complete renovation project will take a maximum of one fiscal year. The project will be done in four phases, three months each. Furniture is one of the capital items that will be acquired for the lounge. The furniture acquisition is based on the

assumption that the amount it will be budgeted for is enough and that the desired furniture will be available during the time of purchase.

Capital Acquisition Justification

The current nurses and staff lounge is small, thus failing to accommodate all nurses. The restrooms are also not in good condition. The last time they were renovated was about five years ago when the institution had almost half the current staff. The internet is also slow; therefore, many nurses do not go there whenever they want to relax. A recent study by Kwon and Remoy (2019) confirmed that staff satisfaction significantly contributes to high productivity. More so, user/staff satisfaction from office design to staff lounge describes a good working environment, which leads to increased staff productivity. The proposed renovations include updating the internet service, purchasing new lounge furniture, and refurbishing the restrooms. The renovations will improve the staff's job satisfaction since the staff will now have space to relax, interact and have joint meetings comfortably. The benefits of the renovation will also affect patient care since the staff productivity will improve. The organization's mission is to answer all healthcare needs in the community and contribute to the well-being of all health populations. The renovations align with the organization's mission since they will improve nurses' productivity, providing better service.

Capital Budget

MAXELA HEALTH CAPITAL BUDGET FY2022			
NURSING LOUNGE RENEVATION BUDGET			
ITEM TYPE	ITEM NAME	QUANTITY	EXPECTED COST
	Architecture/Engineering Costs	1	\$150,000
	Renovation Materials	1	\$200,000
	Interior Design	1	\$75,000
CONSTRUCTION			
TOTAL COST			\$425,000
	New Sofas	5	\$50,000
	Feet massagers	10	\$25,000
	coffee Tables	3	\$15,000
	Mini library	1	\$50,000
COMFORT			
TOTAL COST			\$140,000
	Tv set and Stereo	1	\$5,000
	internet Facilitation	1	\$3,000
	public Computers	10	\$10,000
T/ ENTERTAINMEI			
TOTAL COST			\$18,000
	TOTAL RENOVATION COST		\$568,000

Costs Calculation Process

The primary sources of cost information used in the calculations include information from the key stakeholders. Insights from the key stakeholders and the information from the finance department were also resourceful in our estimate. Having current and reliable cost data is essential before estimating costs (Lievens et al., 2020). Our cost data is current and reliable. We got the information from the critical stakeholders of the institution who know the impact that wrong estimates would have on the institution.

Moreover, we engaged the financial department to have direct contact with the suppliers. We got the current cost of items and factored in the impact of inflation within the time we concluded the renovation project. We included the finance and logistics departments in

determining the capital item costs. The method of cost calculation that was applied is the expert judgment method. However, we acknowledge that using expert opinion in cost calculation would have discrepancies, especially when the experts' opinion is biased. Therefore, we will ensure that we get insights from different experts.

Budget Management Plan

Budget management is an important planning tool that ensures the project is carried out within the budget parameters, thus minimizing overruns and preventable deficits (Kwon and Kang, 2019). The budget implementation activities will be monitored and evaluated throughout the financial year. There will also be risk management for any possible risks and compromises to the budget implementation. We will collaborate with the financial, quality assurance, and control departments to ensure that the budget is followed as the renovations are done. We will also have a budget committee meeting after every quarter to review and make necessary adjustments to the budget.

The cost control methods used in the budget management plan include monitoring expenses using checkpoints and change control systems in case any changes should be made. Budget variances may arise due to changes in supplier prices, human error, or fraud, among other factors. In case of budget variances, we will ensure we identify the variance, identify the type of variance, identify why the variance is occurring and therefore take action to rectify the variance. The plan's underlying assumptions include that the revenue to purchase the capital items will be available and that the proposed budget will be approved by management.

Capital Acquisition and the Financial Health of the Institution

The renovation is expected to have a high return on investment. However, it is worth noting that capital acquisition significantly impacts an institution's financial health. Capital

investments require vast amounts of money, thus posing an imbalance in the institution's finances after purchase. The items necessary for the innovation might also send the institution's finances off balance. The institution might take a whole financial year to recover from the renovation cost. The depreciation value of the items will be low, thus not costing the institution a loss before recovery.

Conclusion

A capital budget is an essential planning tool for an institution planning to acquire capital items. It ensures that the institution is prepared for it. The capital budget presented above will be used to renovate the nurses' lounge at Maxela Health. The budget will be managed using the above-proposed approach for the renovation's success. The renovation might send the organization's financial health off-balance. However, the institution should recover within the next fiscal year.

References

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