

HEALTHCARE

An Introduction
to Accounting
& Financial
Management

FINANCE

SIXTH EDITION



LOUIS C. GAPENSKI
KRISTIN L. REITER

HEALTHCARE

FINANCE

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PREFACE

The beginnings of *Healthcare Finance: An Introduction to Accounting and Financial Management* trace back almost 20 years. At that time, we recognized a need to make available material for courses in traditional, non-traditional, and clinician-oriented master of health administration (MHA) programs in which students do not have a formal educational background in finance-related topics. Finance courses in such programs require a book that provides basic information on foundation topics. Furthermore, these courses often are part of programs that contain just one healthcare finance course, so the course must cover both accounting and financial management. Some texts that were published at that time were strong in accounting, and others were strong in financial management. However, none gave equal emphasis to both components of healthcare finance, giving rise to the first edition of this book.

Concept of the Book

The overall concept of this book has not changed since the first edition: to create a text that introduces students to the most important principles and applications of healthcare finance, with roughly equal coverage of accounting and financial management. Furthermore, because the book is intended for use primarily in health services administration programs, in which students are trained for professional positions within healthcare provider organizations, its focus is on healthcare finance as practiced in such organizations. Thus, the examples within the book are based on such organizations as hospitals, medical practices, clinics, home health agencies, nursing homes, and managed care organizations.

Another consideration in writing the book is that most readers would be seeing the material for the first time, so it is important that the material be explained as clearly and succinctly as possible. We have tried hard to create a book that readers will find user-friendly—one that they will enjoy reading and can learn from on their own. If students don't find a book interesting, understandable, and useful, they won't read it.

The book begins with an introduction to healthcare finance and a description of the current financial environment in which providers operate,

with emphasis on healthcare insurance and reimbursement methodologies. From there, it takes students through the basics of financial and managerial accounting. Here, our goal is not to turn generalist managers into accountants, but to present those accounting concepts that are most critical to managerial decision making. The book then discusses the basic foundations of financial management and demonstrates how healthcare managers can apply financial management principles to help make better decisions, where *better* is defined as decisions that promote the financial well-being of the organization.

Relationship to Other Books

Understanding Healthcare Financial Management (UHFM) **(coauthored with George H. Pink)**

UHFM is very similar to a traditional corporate finance text, except that it focuses on the financial management of health services organizations. It does not include explicit accounting content that typically is taught in managerial and financial accounting courses, so *UHFM* assumes that students have some familiarity with financial statements and other basic accounting concepts. The book includes a great deal of theory, but the emphasis is on using the theory, as well as the concepts and tools, to make managerial decisions that maximize financial, and hence mission, performance.

The book is designed primarily for use in graduate-level courses for students who have already had exposure to accounting and financial management courses. It can be used for other student clienteles, but the absence of explicit accounting content, the amount of theory, and the nature of the ancillaries make the book most suitable for MHA and MBA (healthcare concentration) students. Also, because *UHFM* is designed to provide students with a higher level of cognition according to Bloom's Taxonomy, the end-of-chapter problems are provided on spreadsheets rather than printed in the textbook. Finally, student comprehension is maximized when *UHFM* is paired with cases, specifically, those contained in *Cases in Healthcare Finance* (see below).

Fundamentals of Healthcare Finance (FHF)

FHF differs from *Healthcare Finance* in that it focuses primarily on financial decisions made at the clinical department level, so it includes only limited content related to those decisions, such as organizational financing and capital structure, made by the financial staff. Because it focuses on those accounting and financial management concepts and decisions most relevant to clinical managers, it is shorter in length than *Healthcare Finance*.

The book is designed primarily for use in undergraduate-level courses for health science or health services management students and for

undergraduate or graduate courses in clinical programs such as medicine, nursing, and physical or occupational therapy. It is also useful for professional development programs in healthcare finance.

***Cases in Healthcare Finance (CHF)* (coauthored with Pink)**

CHF contains 11 accounting cases, 21 financial management cases, and seven ethics mini-cases. The finance cases generally focus on a single decision, such as marginal cost pricing or outsourcing, while the ethics mini-cases discuss situations that arise in healthcare finance that present ethical dilemmas. The casebook has spreadsheet models for most of the cases and questions that instructors can provide to students if they require more structure.

The casebook is designed to provide students with a higher level of cognition through the application of healthcare finance theory, concepts, and tools to “real world” settings. *CHF* typically is used in conjunction with *UHFM* or *Healthcare Finance* in graduate courses for health services management students, but it can be used with other textbooks and in other settings. The cases are especially appreciated by students with work experience, but the availability of questions permits significant leeway in student clientele.

Intended Market and Use

Healthcare Finance is not targeted for specific types of educational programs. Rather, it is designed to teach health services management students, in one course, the fundamental concepts of healthcare finance, including both accounting and financial management. Thus, the book can be used in a wide variety of settings: undergraduate and graduate programs, traditional and executive programs, on-campus and distance learning programs, and even independently for professional development.

The key to the book’s usefulness is not the educational program but the focus of the course. If the course is a stand-alone course for management students designed to cover both healthcare accounting and financial management, the book will fit. In fact, the book easily can be used across a two-course healthcare finance sequence, especially in modular programs where each course is two credit hours. Typically, such a sequence begins with an accounting course and ends with a financial management course. This book, supplemented by cases (and possibly readings), would work well in such a sequence.

The book should also be useful to practicing healthcare professionals who, for one reason or another, must increase their understanding of healthcare finance. Such professionals include clinicians who have some management responsibilities as well as line managers who now require additional finance skills. As an alternative, *Fundamentals of Healthcare Finance* could

be used for this purpose, especially when the readers will remain clinicians as opposed to moving into organizational (corporate) management positions.

Finally, many members of financial staffs, especially those who work exclusively in a single area, such as patient accounts, would benefit from having a broader understanding of healthcare finance principles and would find this book useful.

Changes in the Sixth Edition

Since the publication of the fifth edition of this book, we have used it numerous times in various settings. In addition, we have received many comments from users at other universities. The reaction of students, other professors, and the marketplace in general has been overwhelmingly positive—every comment received indicates that the basic concept of the book is sound. Even so, nothing is perfect, and the healthcare environment is evolving at a dizzying pace. Thus, many changes have been made to the book, the most important of which are listed here:

- First and foremost, this edition was coauthored by Kristin L. Reiter, an associate professor at the University of North Carolina at Chapel Hill. Kristin, who worked as a senior accountant and an auditor before joining academe, brings a wealth of accounting knowledge and experience to the book that will have an immediate impact. In addition, Kristin's teaching and research endeavors bring new insights to the book's content and pedagogy that will have a profound and positive impact over time.
- The contents of chapters 1 and 2 have been reorganized to focus exclusively on issues of greatest relevance to healthcare finance. For example, Chapter 2 is now fully devoted to health insurance and reimbursement methodologies. Also, coverage of healthcare reform is significantly expanded.
- The managerial accounting chapters (5–8) have been reorganized to create a more logical progression of concepts. Although much of the material is the same, the approach is different. Now, instead of focusing on techniques, the emphasis is on the level of analysis: first organizational costing, then departmental costing, and finally service line costing. Furthermore, coverage of service line costing is significantly expanded to include four methods: cost-to-charge ratio (CCR), relative value unit (RVU), activity-based costing (ABC), and time-driven activity-based costing (TDABC).
- Chapter 18 of the fifth edition (Lease Financing and Business Valuation) has been removed from the textbook and placed online. This material, although important to the financial staff, is not of prime relevance to

most student users of this book. In addition, Chapter 19 (Distributions to Owners: Bonuses, Dividends, and Repurchases) is now available online.

- Some sections of the text, considered nonessential, have been moved from within the chapter to the very end of the chapter in sections called *Chapter Supplements*. For example, sections on lesser-used Medicare payment methods, service decisions (contract analysis), and securities market regulation were placed in supplements. For the most part, these sections are both noncritical and technical in nature and their new placement allows students to better focus on essential content.
- Financial accounting coverage was updated to conform to the latest formats released by the American Institute of Certified Public Accountants. Thus, the income statement format now includes both operating income and net income and places the provision for bad debts in the revenue section rather than listing it as an expense. Correspondingly, ratio coverage now includes a more complete discussion of the differences between operating margin and total margin.
- The end-of-chapter problem sets were expanded by two problems per chapter. Users of the book have indicated that textbooks cannot have too many problems.
- Finally, the following minor changes to the text have occurred: Coverage of the revenue cycle has been increased; use of alternative (nonhospital) settings has been increased; use of sidebars (boxes) has been increased to add interest to the text; and endnotes have been eliminated, with comments of importance placed in the text.
- The lecture presentation software was updated and improved based on continual use and suggestions from adopters and students alike.

All in all, these changes improve the quality and value of the book without affecting its basic concept and approach to learning.

Ancillary Materials for Instructors

Three important teaching aids are available for instructors who adopt this book. To request access to online instructor resources, please e-mail hapbooks@ache.org.

- **End-of-chapter solutions.** A comprehensive set of solutions to the end-of-chapter questions and problems is available to instructors who can, in turn, provide them to students if desired.
- **Test bank.** An online test bank with approximately 350 multiple-choice questions (roughly 20–25 per chapter) is available to adopters.

- **Lecture presentation software.** A set of PowerPoint® slides that cover all the essential issues contained in each chapter is also available. Concepts, graphs, tables, lists, and calculations are presented in about 40 slides per chapter. Furthermore, electronic or hard copies of the slides can be provided to students for use as lecture notes. Many instructors will find these slides useful, either as is or customized to best meet the situation at hand.

Ancillary Materials for Students

Two additional chapters are available to students on the Health Administration Press Book Companion website at ache.org/books/HCFinance6.

- Chapter 18: Lease Financing and Business Valuation
- Chapter 19: Distributions to Owners: Bonuses, Dividends, and Repurchases

Acknowledgments

This book reflects the efforts of many people. First and foremost, we would like to thank Mark Covalleski of the University of Wisconsin, who made significant contributions to the accounting content when the book was first written. In fact, without his materials, advice, and counsel, the book would not have been born. In addition, Anna McAleer of Arcadia University provided many useful comments for improving both the text and the instructor's manual.

Colleagues, students, and staff at the University of Florida and University of North Carolina at Chapel Hill provided inspirational support, as well as more tangible support, during the development and class testing of the text. Also, the Health Administration Press staff was instrumental in ensuring the quality and usefulness of the book.

Errors in the Book

In spite of the significant effort that has been expended by many individuals on this book, it is safe to say that some errors exist. In an attempt to create the most error-free and useful book possible, we strongly encourage both instructors and students to write or e-mail one of us with comments and suggestions for improving the book. We certainly welcome your input. (Please note that some of the healthcare organizations used as examples in this and

previous editions are fictitious. Any similarities in organizational name and characteristics are unintentional.)

Conclusion

In the environment faced by healthcare providers today, good financial decision making is more important than ever to the economic well-being of the enterprise. Managers of all types and at all levels should be thoroughly grounded in finance principles and applications, but this is easier said than done. We hope that *Healthcare Finance: An Introduction to Accounting and Financial Management* will help you understand the finance problems currently faced by healthcare providers and, more important, that it will provide guidance on how best to solve them.

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THE HEALTHCARE ENVIRONMENT

Two factors make the provision of health services different from other services. First, many providers are organized as not-for-profit corporations as opposed to being investor owned. Second, payment for services typically is made by third parties rather than by the patients who receive the services. Thus, in the study of healthcare finance, it is necessary for students to understand the environment that creates the unique framework for the practice of healthcare finance.

Part I contains many introductory topics that are designed to provide readers with the structural framework in which finance is practiced within healthcare organizations. Such topics include the definition of healthcare finance, the organization and role of the finance staff, health services settings, and key issues facing healthcare managers. In addition, Part I contains information on health insurance, the third-party payer system, alternative reimbursement methodologies, and the impact of healthcare reform.

HEALTHCARE FINANCE BASICS

Learning Objectives

After studying this chapter, readers will be able to

- Describe the organization of this book and the learning aids contained in each chapter.
- Define the term *healthcare finance* as it is used in this book.
- Describe the key characteristics of a business.
- Discuss the structure of the finance department, the role of finance in health services organizations, and how this role has changed over time.
- Describe the major players in the health services industry.
- List the key operational issues currently faced by healthcare managers.
- Describe the alternative forms of business organization and corporate ownership and their organizational goals.
- Discuss the key elements of healthcare reform and its expected effect on the provision of health services.

Introduction

In today's healthcare environment, where financial realities play an important role in health services decision making, it is vital that managers at all levels understand the basic concepts of healthcare finance and how these concepts are used to enhance the financial well-being of the organization. In this chapter, we introduce readers to the book, including its purpose, goals, and organization. Furthermore, we present some basic background information about healthcare finance and the health services system. We sincerely hope that this book will be a significant help to you in your quest to increase your professional competency in the important area of healthcare finance.

Before You Begin

Before you begin the study of healthcare finance, here are a few tips about the book that will make the process easier.

Purpose of the Book

Many books cover the general topics of accounting and financial management, so why is a book needed that focuses on healthcare finance? The reason is that while all industries have certain individual characteristics, the health services industry is truly unique. For example, the provision of healthcare services is dominated by *not-for-profit corporations*, both private and governmental, and such entities are inherently different from *investor-owned businesses*. Also, the majority of payments made to healthcare providers are not made by the individuals who use the services but by *third-party payers* (e.g., employers, commercial insurance companies, government programs). Throughout this book, the ways in which the unique features of the health services industry influence the application of finance principles and practices are emphasized.

This book is designed to introduce students to healthcare finance, which has two important implications. First, the book assumes no prior knowledge of the subject matter; thus, the book is totally self-contained, with each topic explained from the beginning in basic terms. Furthermore, because clarity is so important when concepts are introduced, the chapters have been written in an easy-to-read fashion. None of the topics is inherently difficult, but new concepts often take some effort to understand. This process is made easier by the writing style used.

Second, because this book is introductory, it contains a broad overview of healthcare finance. The good news here is that the book presents virtually all the important healthcare finance principles that are used by managers in health services organizations. The bad news is that the large number of topics covered prevents us from covering principles in great depth or from including a wide variety of illustrations. Thus, students who use this book are not expected to fully understand every nuance of every finance principle and practice that pertains to every type of health services organization. Nevertheless, this book provides sufficient knowledge of healthcare finance so that readers will be better able to function as managers, judge the quality of financial analyses performed by others, and incorporate sound principles and practices into their own personal finance decisions.

Naturally, an introductory finance book does not contain everything that a healthcare financial manager must know to competently perform his or her job. Nevertheless, the book is useful even for those working in finance positions within health services organizations because it presents an overview of the finance function. Often, when one is working in a specific area of finance, it is too easy to lose sight of the context of one's work. This book will help provide that context.

Organization of the Book

In *Alice's Adventures in Wonderland*, Lewis Carroll wrote: "If you don't know where you are going, any road will get you there." Because not just any road

will ensure that this book meets its goals, the destination has been carefully charted: to provide an introduction to healthcare finance. Furthermore, the book is organized to pave the road to this destination.

Part I, *The Healthcare Environment*, contains fundamental background material essential to the practice of healthcare finance. In essence, Part I introduces the book, provides insights into the uniqueness of the health services industry, and provides additional information on how healthcare providers obtain their revenues. Healthcare finance cannot be studied in a vacuum because the practice of finance is profoundly influenced by the economic and social environment of the industry, including alternative types of ownership and reimbursement methods.

Part II, *Financial Accounting*, begins the actual discussion of healthcare finance principles and practices. Financial accounting, which involves the creation of statements that summarize a business's financial status, is most useful for outsiders and for long-term planning and management. In this part, we discuss the format and interpretation of the four primary financial statements.

Part III, *Managerial Accounting*, which consists of four chapters, focuses on the creation of data used in the day-to-day management and control of a business. Here, the emphasis begins with the overall organization, then it shifts to the subunit (department) level, and finally it reaches the individual service level. The key topics in Part III include costing methods and behavior, profit planning, cost allocation, pricing and service decisions, and financial planning and budgeting.

In Part IV, *Basic Financial Management Concepts*, the focus moves from accounting to financial management. Here we first cover time value analysis, which provides techniques for valuing future cash flows. The second of the two chapters in this part discusses financial risk and required return. Taken together, these chapters provide readers with knowledge of two of the most important concepts used in financial decision making.

Part V, *Long-Term Financing*, turns to the capital acquisition process. Businesses need capital, or funds, to purchase assets, and this part examines the two primary types of financing—long-term debt and equity. In addition, the final chapter of Part V provides the framework for analyzing a business's appropriate financing mix and assessing its cost.

Part VI, *Capital Investment Decisions*, considers the vital topic of how businesses analyze new capital investment opportunities (capital budgeting). Because major capital projects take years to plan and execute, and because these decisions generally are not easily reversed and will affect operations for many years, their impact on the future of an organization is profound. The two chapters in this part first focus on basic capital investment analysis concepts and then turn to project risk assessment and incorporation.

Part VII, *Other Topics*, covers two diverse topics. The first chapter in this part discusses the revenue cycle and the management of short-term

assets, such as cash and inventories, as well as how such assets are financed. The techniques used to analyze a business's financial and operating condition are discussed in the book's final chapter. Health services managers must be able to assess the current financial condition of their organizations. Even more important, managers must be able to monitor and control current operations and assess ways in which alternative courses of action will affect the organization's future financial condition.

In addition to the printed text, two chapters are available from the publisher's website for this book. Chapter 18, Lease Financing and Business Valuation, contains information on leasing and how to value entire businesses, and Chapter 19, Distributions to Owners: Bonuses, Dividends, and Repurchases, discusses how profits in investor-owned businesses are returned to owners. To access these chapters, visit ache.org/books/HCFinance6.

How to Use This Book

As mentioned earlier, the book is designed to introduce students to healthcare finance. The book contains several features designed to make the process as easy as possible.

First, pay particular attention to the *Learning Objectives* listed at the beginning of each chapter. These objectives provide a feel for the most important topics in each chapter and what readers should set as learning goals for the chapter.

Following each major section in a chapter (except the chapter's Introduction), one or more *Self-Test Questions* are included. As you finish reading each major section, try to provide reasonable answers to these questions. Your responses do not have to be perfect, but if you are not satisfied with your answer, it would be best to reread the section before proceeding. Answers are not provided for the self-test questions, so a review of the section is indicated if you are in doubt about whether your answers are satisfactory.

It is useful for readers to have important equations both embedded in the text to illustrate their use and broken out separately to permit easy identification and review. The *Key Equation* boxes can be used both for section and chapter review and as an aid to working end-of-chapter problems. In addition, the book contains several types of boxes, such as *For Your Consideration* and *Industry Practice* boxes. Each of these boxes presents an important issue relevant to the text discussion and allows readers to pause for a few moments to think about the issue presented, generate opinions, and draw conclusions. Many instructors use these boxes to stimulate in-class discussions.

Within the book, italics and boldface are used to indicate importance. *Italics* are used whenever a key term is introduced; thus, italics alert readers that a new and important concept is being presented. **Boldface** indicates terms that are defined in each chapter's running glossary, which complements the glossary at the back of the book, and is also occasionally used for emphasis.

In addition to in-chapter learning aids, materials designed to help readers learn healthcare finance are included at the end of each chapter. First, each chapter ends with a summary section titled *Key Concepts*, which briefly summarizes the most important principles and practices covered in that chapter. If the meaning of a key concept is not apparent, you may find it useful to review the applicable section. Each chapter also contains a series of *Questions* designed to assess your understanding of the qualitative material in the chapter. In most chapters, the questions are followed by a set of *Problems* designed to assess your understanding of the quantitative material. Additionally, each chapter ends with a set of *Resources*. The books and articles cited can provide a more in-depth understanding of the material covered in the chapter. Finally, some chapters contain a *Chapter Supplement*, whose purpose is to present additional information pertaining to topics in the chapter that is useful but not essential.

Taken together, the pedagogic structure of the book is designed to make learning healthcare finance as easy and enjoyable as possible.

1. Why is it necessary to have a book dedicated to healthcare finance?
2. What is the purpose of this book?
3. Briefly describe the organization of this book.
4. What features in the book are designed to make learning easier?

SELF-TEST QUESTIONS

Defining Healthcare Finance

What is healthcare finance? Surprisingly, there is no single answer to that question because the definition of the term depends, for the most part, on the context in which it is used. Thus, in writing this book, the first step was to establish the definition of *healthcare finance*.

We began by examining the *healthcare sector* of the economy, which consists of a diverse collection of subsectors that involve, either directly or indirectly, the healthcare of the population. The major subsectors include the following:

- **Health services.** The health services subsector consists of **providers** of health services, including medical practice, hospital, nursing home, home health care, and hospice industries.
- **Health insurance.** The health insurance subsector, which makes most of the payments to health services providers, includes government programs and commercial insurers as well as self-insurers. Also included here are managed care companies, such as health maintenance organizations, which incorporate both insurance and health services (provider) functions.

Provider
An organization that provides healthcare services (treats patients).

- **Medical equipment and supplies.** These subsectors include the makers of diagnostic equipment, such as X-ray machines; durable medical equipment, such as wheelchairs; and expendable medical supplies, such as disposable surgical instruments and hypodermic syringes.
- **Pharmaceuticals and biotechnology.** These subsectors develop and market drugs and other therapeutic products.
- **Other.** This category includes a diverse collection of organizations ranging from consulting firms to educational institutions to government and private agencies.

Most users of this book will become (or already are) managers at health services organizations or at companies such as insurance and consulting firms that deal directly with health services organizations. Thus, to give this book the most value to its primary users, we focus on finance as it applies within the health services subsector. Of course, the principles and practices of finance cannot be applied in a vacuum but must be based on the realities of the current healthcare environment, including how health services are financed. Furthermore, insurance involves payment to healthcare providers; much of managed care involves utilization management of providers, either directly or through contracts; and most consulting work is done for providers, so the material in this book is also relevant for managers in industries related to health services.

Accounting

The field of finance that involves the measuring and recording of events, in dollar terms, that reflect an organization's operational and financial status.

Now that we have defined the healthcare focus of this book, the term *finance* must be defined. Finance, as the term is used within health services organizations and as it is used in this book, consists of both the accounting and financial management functions. (In many settings, accounting and financial management are separate disciplines.) **Accounting**, as its name implies, is concerned with the recording, in financial terms, of economic events that reflect the operations, resources, and financing of an organization. In general, the purpose of accounting is to create and provide to interested parties, both internal and external, useful information about an organization's operations and financial status.

Financial management

The field of finance that provides the theory, concepts, and tools used by healthcare managers to make financial decisions.

Whereas accounting provides a rational means by which to measure a business's financial performance and assess operations, **financial management** provides the theory, concepts, and tools necessary to help managers make better financial decisions. Of course, the boundary between accounting and financial management is blurred; certain aspects of accounting involve decision making, and much of the application of financial management theory and concepts requires accounting data.

SELF-TEST QUESTIONS

1. What is meant by the term *healthcare finance*?
2. What is the difference between accounting and financial management?

Concept of a Business

This book focuses on finance as practiced within health services businesses, so it is reasonable to ask this question: What is a *business*? If this question were asked to a group of accountants, the answer probably would involve financial statements, such as the income statement and balance sheet, which we cover in chapters 3 and 4. However, if the question were posed to a group of lawyers, the answer likely would include legal forms of business, which we describe later in this chapter.

From a financial (economic) perspective, a business can be thought of as an entity (its legal form does not matter) that (1) obtains financing (capital) from the marketplace; (2) uses those funds to buy land, buildings, and equipment; (3) operates those assets to create goods or services; and then (4) sells those goods or services to create revenue. To be financially viable, a business has to have sufficient revenue to pay all of the costs associated with creating and selling its goods or services.

Although this description of a business is surprisingly simple, it tells a great deal about the basic decisions that business managers must make. One of the first decisions is to choose the best legal form for the business. Then, the manager must decide how the business will raise the capital that it needs to get started. Should it borrow the money (use debt financing), raise the money from owners (or from the community if not-for-profit), or use some combination of the two sources? Next, once the start-up capital is raised, what physical assets (facilities and equipment) should be acquired to create the services that (in the case of healthcare providers) will be offered to patients?

Note that businesses are profoundly different from *pure charities*. A business, such as a hospital or medical practice, sustains itself financially by selling goods or services. Thus, it is in competition with other businesses for the consumer dollar. A pure charity, such as the American Heart Association, on the other hand, does not sell goods or services. Rather, it obtains funds by soliciting contributions and then uses

For Your Consideration

Businesses, Pure Charities, and Governmental Entities

A healthcare business relies on revenues from sales to create financial sustainability. For example, if a hospital's revenues exceed its costs, cash is being generated that can be used to provide new and improved patient services and the hospital can continue to meet community needs. On the other hand, pure charities, such as the American Red Cross, rely on contributions for revenues, so the amount of charitable services provided (which typically are free) is limited by the amount of contributions received. Finally, most governmental units are funded by tax receipts, so, as with charities, the amount of services provided is limited, but in this case by the taxing authority's ability to raise revenues. Yet, in spite of differences, all three types of organizations must operate in a financially prudent manner.

What do you think? From a finance perspective, how different are these types of organizations? How does the day-to-day functioning of their respective finance departments vary? Is finance more important in one type of organization than in another?