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# ACCOUNTS FOR SMALL HOSPITALS

BASED ON THE  
REVISED UNIFORM SYSTEM  
OF  
HOSPITAL ACCOUNTS

1928

**London :**

PUBLISHED FOR

KING EDWARD'S HOSPITAL FUND FOR LONDON

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# **ACCOUNTS FOR SMALL HOSPITALS**

BASED ON THE

**REVISED UNIFORM SYSTEM**

OF

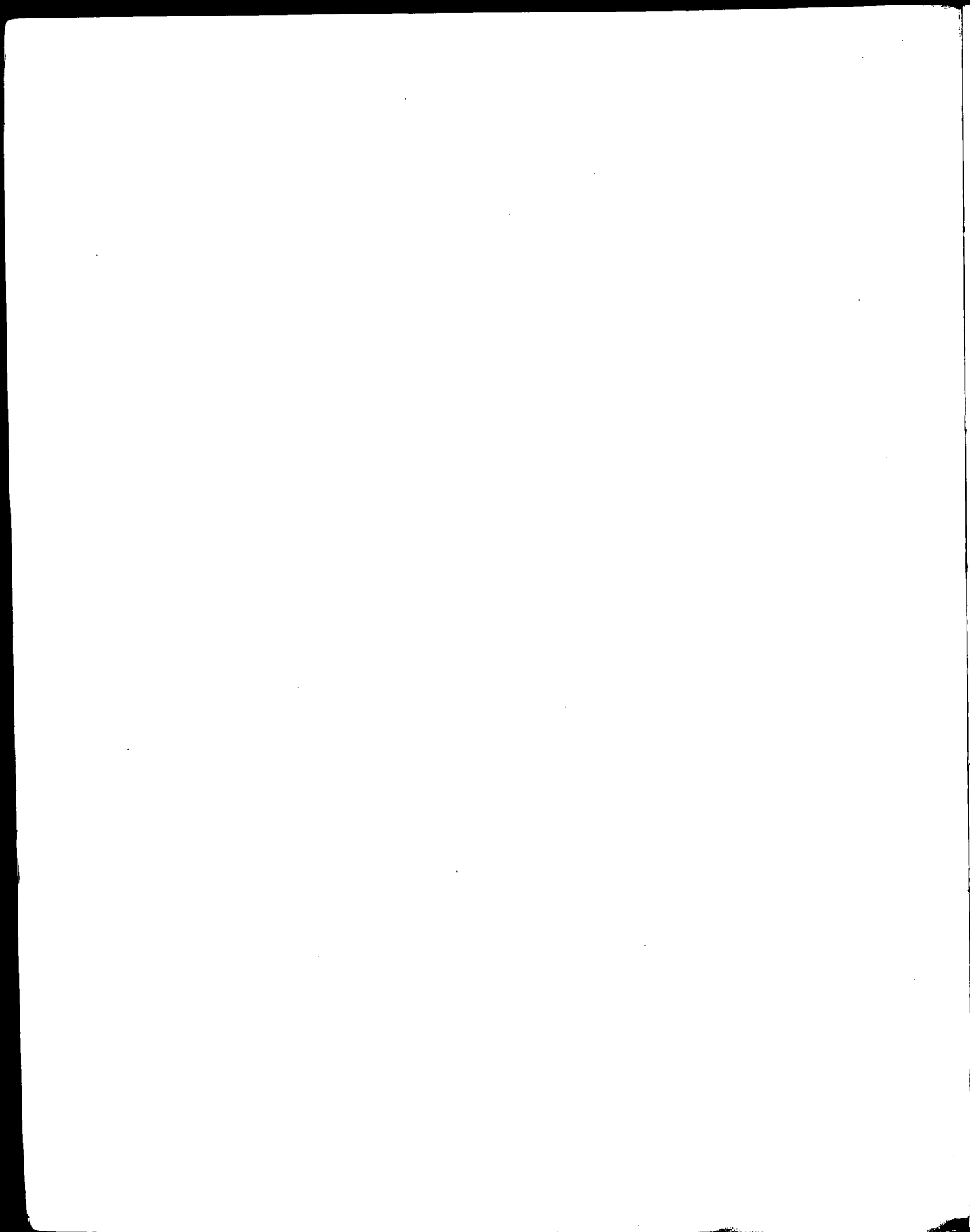
**HOSPITAL ACCOUNTS**

THIS PUBLICATION HAS BEEN APPROVED AND IS RECOMMENDED BY

THE BRITISH HOSPITALS ASSOCIATION,  
THE HOSPITAL SATURDAY FUND,  
THE HOSPITAL SAVING ASSOCIATION,  
THE INCORPORATED ASSOCIATION OF HOSPITAL OFFICERS,  
THE JOINT COUNCIL OF THE ORDER OF ST. JOHN  
AND THE BRITISH RED CROSS SOCIETY,  
THE METROPOLITAN HOSPITAL SUNDAY FUND.

PREPARED AND ISSUED BY

**KING EDWARD'S HOSPITAL FUND FOR LONDON**



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## Publications of the Revised Uniform System of Hospital Accounts.

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Revised Uniform System : Edition 1926 ... ..	Price 5s. net ; 5s. 4d. post free.
Index of Classification of Items of Expenditure : 1926 ... ..	„ 1s. „ 1s. 2d. „
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GEO. BARBER & SON LTD., Furnival Street, Holborn, E.C.4.

## INTRODUCTION.

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THE REVISED UNIFORM SYSTEM OF HOSPITAL ACCOUNTS is a standardised form of Account which has to be adopted by all Hospitals applying for grants from King Edward's Hospital Fund for London, the Metropolitan Hospital Sunday Fund and the Hospital Saturday Fund. The Voluntary Hospitals Commission recommended that the Revised Uniform System should also be used by all Hospitals outside the London area.

The form of Accounts described in the following pages is based on the Revised Uniform System and is intended for such small Hospitals as find it impracticable to adopt the detailed requirements of the full Revised Uniform System.

The form of Accounts described herein, though sufficiently simple for the smallest institution, are so devised that if circumstances make it desirable to adopt the full Revised Uniform System, the change would consist merely in the recording and publishing of further details.

This publication has been prepared by a Sub-Committee of the Hospital Economy Committee of the King's Fund under the Chairmanship of Sir Basil Mayhew, K.B.E., F.C.A., from material drafted by Mr. Hugh Macrae, C.A., Departmental Secretary to the Committee.

An Index of Classification of Items of Expenditure, which is a guide to the headings under which the various items of income and expenditure should be placed, is issued as a separate publication and should be used in conjunction with these Accounts.

### GENERAL REVIEW.

- (1) Charitable institutions depending on the public for support are called upon to publish accounts from time to time to satisfy their supporters that the money they have given has been well and properly used. There is little doubt that the way in which these accounts are stated has a great effect in increasing or decreasing the confidence of the subscribing public in the management of the charity.
- (2) The Voluntary Hospitals in London, and many of the important ones throughout the country, follow the recommendations of the Voluntary Hospitals Commission and publish their accounts in accordance with the Revised Uniform System of Hospital Accounts. King Edward's Hospital Fund for London, acting in conjunction with the Metropolitan Hospital Sunday Fund and the Hospital Saturday Fund, issues a publication describing this System, but the very detailed directions seem to deter many Honorary Officials of the smaller Hospitals, who have little time to study the subject. For their benefit, and in the desire to secure a uniformity of accounting methods amongst all the Hospitals in the country, the Revised Uniform System has been stripped of detail and the bare skeleton described herein in a simple and non-technical way.
- (3) Every worker for the cause of charity should remember that there are other workers, just as deeply interested and as active, whose labours lie, so to speak, behind the scenes. There is a Hospital problem for every little community, but there are many Hospital problems for the nation and for the world. The solution of these larger problems is helped by accurate information, and every Hospital Secretary can help by publishing accounts in a form that makes the preparation of national statistics easier and of more value.
- (4) An examination of the reports of a large number of smaller Hospitals shows that the accounts published are drawn up in many different ways. The commonest form is that of a Cash Account, but instead of being so termed it is described by some misleading name such as a "Revenue and Expense Account," and sometimes even as a "Balance Sheet." In the large majority of cases these accounts consist simply of a summary of the



Cash Book, some of the items in which may have nothing whatever to do with the cost of running the Hospital.

- (5) The Revised Uniform System provides for the publication of two financial statements, the Income and Expenditure Account and the Balance Sheet. The Income and Expenditure Account should show the income and the expenditure in running the Hospital during the period covered by the Account. The chief point to remember about this Account is that it is in respect of a period (in practice this period is one year) and that it deals only with the running expenses and the income received to meet these expenses within that period. The Balance Sheet, on the other hand, is like an instantaneous photograph and shows the financial position of the Hospital at one definite date with no reference to any period, though the changes in some of the items since the last Balance Sheet may be shown. How these two statements should be made out is explained later, but it is important to remember their essential difference.

- (6) Many Honorary Officials are accustomed to present their accounts in the form of a summarised Cash Account, and before proceeding to a description of the Income and Expenditure Account it may be as well to examine the pitfalls inseparable from a Cash Account.

The following example, based upon accounts actually published by Hospitals, will serve to illustrate these pitfalls and to show how important is the difference between the two accounts. The statement is typical in the sense that it incorporates examples of the most frequent form of inappropriate entries found in the Annual Accounts of small Hospitals :—

		£			£
Jan. 1st.	To Cash at Bank and in		Jan./Dec.	By Expenditure on :	
	Hand ... ..	950	"	" Provisions ... ..	695
Jan./Dec.	" Annual Subscriptions ...	160	"	" Surgery and Dispensary	465
"	" Donations ... ..	4,180	"	" Domestic ... ..	885
"	" Collections and Enter-		"	" Renewals and Repairs,	
	tainments ... ..	900	"	etc. ... ..	120
"	" Other Voluntary Gifts...	25	"	" Salaries and Wages ...	755
"	" Patients' Payments ...	1,480	"	" Miscellaneous ... ..	45
"	" Dividends, etc. ... ..	360	"	" Building Extensions and	
"	" Sale of Investments ...	2,000	"	Additional Equipments..	8,365
"	" Sundry other Receipts...	50	"	" Additional Furnishings	700
"	" Legacies ... ..	1,200	"	" Administration... ..	160
Dec. 31st.	" Bank Overdraft...	962	"	" Rates ... ..	65
			Dec. 31st.	" Cash in Hand ... ..	12
		£12,267			£12,267

- (7) The foregoing statement would convey the erroneous impression to many people that the Hospital had had an unfortunate year, closing with a considerable deficit. The statement is, however, simply a summary of the year's entries in the Cash Book and, though telling the opening and closing balances and moneys received and paid, the account fails to tell the whole story. It will be observed that some of these receipts and payments are on account of transactions that do not relate to the running of the Hospital for the year under review. On the other hand, the statement does not take into account any amounts which may be due to the Hospital for that year but which had not been received in the year, nor amounts owing by the Hospital for goods received but not paid for during the year.
- (8) The following are typical examples of such entries in the Cash Book which have been included in the statement :—
- (i) Of the £4,180 shown on the statement as Donations, £3,365 had been received specially earmarked for the Building Extensions and so was not available for the current expenditure of the Hospital on the care of its patients. Similarly, of the amount of £900 shown as received from Collections and Entertainments, £700 represented the proceeds of a bazaar held to raise money for the Extensions, to which purpose it must be applied.
  - (ii) Of the £1,200 received as Legacies, £1,000 had been given with the condition attached that the capital was not to be expended and the income thereof was to be applied to the general purposes of the Hospital. The capital sum of £1,000 could not, therefore, form part of the income of any year.
  - (iii) The £2,000 received from the sale of some of the Hospital's investments related to the savings of previous years and did not represent additional income. It was simply converting something the Hospital already possessed at the beginning of the year from one form of value (*i.e.*, an Investment) to another (*i.e.*, Cash). Had the Committee sold another £2,000 worth of their investments the statement would have shown a substantial balance at the bank instead of an overdraft, without any change in the real financial position.
  - (iv) The £1,480 received from Patients' Payments did not show the actual amount due to the Hospital in respect of the patients treated

during the year. On the one hand, it included £50 received during the year from a Public Authority on account of treatment given in the previous year; and, on the other hand, there was £30 still due from the same source for the treatment of patients during the year.

- (v) The £695 paid for Provisions did not represent the correct expenditure during the year, as £100 paid at the beginning of the year was for supplies in the previous year, while the Hospital at the end of the year had not paid accounts amounting to £30 for supplies during the year. There were also similar items under other headings of expenditure.
- (vi) The expenditure on the Building Extensions and Additional Equipment, £8,365, and on the additional furnishings, £700, did not relate to the expense of running the Hospital for the year under review. It was Capital expenditure the benefit of which would be enjoyed over a series of years and not only in this particular year. Such Capital expenditure would be dealt with on the Balance Sheet.

- (9) The true story for the year of the Hospital's normal work of maintaining and treating patients would show that there was an excess of income over expenditure and not a deficit. Taking the above figures and re-arranging them on an income and expenditure basis, the statement would contain the following items:—

		£			£
Jan./Dec.	To Annual Subscriptions...	160	Jan./Dec.	By Expenditure on :	
"	" Donations ... ..	815	"	" Provisions ... ..	625
"	" Collections and Enter- tainments ... ..	200	"	" Surgery and Dispensary	445
"	" Other Voluntary Gifts...	25	"	" Domestic ... ..	745
"	" Patients' Payments ...	1,460	"	" Renewals and Repairs...	120
"	" Dividends, etc. ... ..	360	"	" Salaries and Wages ...	755
"	" Sundry other Receipts...	50	"	" Miscellaneous ... ..	45
"	" Legacies ... ..	200	"	" Administration...	160
			"	" Rates ... ..	65
			"	* Surplus for the year ...	310
		<u>£3,270</u>			<u>£3,270</u>

- (10) This last account is the true Income and Expenditure Account of the Hospital, and the foregoing examples illustrate not only the difference between a Cash Account and an Income and Expenditure Account, but also

\* The surplus on the year's work does not cease to be a surplus because the amount saved on maintenance was spent on Building or Equipment. The cash was only available for a capital purpose because there was a surplus on maintenance. The position is similar to that of a man who has made a profit of £1,000 on his business and spent £1,000 in buying a house. Because he no longer has the £1,000 in cash does not alter the fact that he made a profit of £1,000.

the inadequacy of the Cash Account as an index of the cost of running the Hospital. The items in the Cash Account which have been omitted from the Income and Expenditure Account for the reasons explained above are dealt with on the Balance Sheet.

(11) Where the adoption of the Revised Uniform System involves a change from a Cash Account to an Income and Expenditure Account, the following explanation, based on the instructions issued to the Red Cross Auxiliary Hospitals during the War, may be found useful :—

- (i) From what has been already said it will be readily grasped that the difference between a Cash or Receipts and Payments Account and an Income and Expenditure Account is, that whereas the former is simply a record of actual cash received and paid during the year, the latter brings into account moneys due but not received, and liabilities incurred but not paid. A Cash Account may also contain items that are not directly connected with the daily work, *e.g.*, receipts or payments on Building Fund, donations subject to trusts for retention of the capital, the purchase or sale of investments, the receipt or repayment of loans, etc. The Income and Expenditure Account is based upon the common sense principle that on the one hand all transactions relating to the daily work should be brought into the account of the year to which the transaction belongs irrespective of whether or not cash has been exchanged in that year and on the other hand all transactions that do not relate to the daily work should be excluded from this account and be dealt with on another statement called the Balance Sheet.
- (ii) As it is often impossible to collect all money due and to pay all accounts owing before the close of the year, an Income and Expenditure Account is necessary to obtain an accurate survey of the financial results of a year's work. There need be no difficulty in preparing such an account from the Cash Book; all that is necessary is to extract the receipts and payments attributable to the routine work of the year (which usually involves the omission of, among other things, items received or paid—usually at the beginning of the year—in respect of the previous year) and to add to the amounts extracted under the different headings, the income known to be due but not yet received and the expenditure incurred but not yet paid at the end of the year.

INCOME AND EXPENDITURE ACCOUNT.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31ST DECEMBER, 19 .

12

INCOME.				EXPENDITURE.			
Ordinary.		£	s. d.	Ordinary.		£	s. d.
I. Voluntary Gifts:—				I. Provisions ... ..	£		
1. Subscriptions, Donations, etc. £				II. Surgery and Dispensary ... ..	£		
2. Central Funds ... ..	£			III. Domestic ... ..	£		
	_____			IV. Salaries and Wages (Maintenance) ...	£		
II. Contributions on Account of Services rendered ... ..	£			V. Miscellaneous ... ..	£		
III. Invested Property ... ..	£			VI. Administration ... ..	£		
				VII. Establishment: Renewals and Repairs to Buildings and Plant ... ..	£		
				VIII. Finance ... ..	£		
					_____		
	Ordinary Income ...	£		Ordinary Expenditure ...	£		
Extraordinary.				Extraordinary.			
I. Legacies ... ..	£				£		
					_____		
	Total Income ...	£		Total Expenditure ...	£		
Balance, being excess of Total Expenditure over Total Income for the year...	£			Balance, being excess of Total Income over Total Expenditure for the year...	£		
	_____				_____		
	£				£		
	=====				=====		

ACCOUNTS FOR SMALL HOSPITALS.

**INCOME AND EXPENDITURE ACCOUNT.**

- (12) The form of Income and Expenditure Account reproduced on the opposite page is a summarised form of the Account required by the full Revised Uniform System of Hospital Accounts and is intended for the use of such small Hospitals as, owing to lack of an adequate staff, find it impracticable to frame the more detailed accounts required by the full system.

If it is desired to publish more details than the Form provides for, they should be stated under and included in the total of one of the prescribed headings. This uniform list of headings is of the greatest value in comparing one Hospital with another and in preparing national statistics of Hospital Income and Expenditure.

Below are brief explanations of the Form, each side being dealt with separately.

**A.—INCOME.**

- (13) The Income side of the Account is divided into four main headings, under one or other of which are grouped, according to the source of the receipt, all items of Income. These headings are :—

- (i) *Voluntary Gifts*.—Under this heading is included every subscription and donation received by a Hospital for its current maintenance. The donation may be in the form of cash or securities or in kind. If received in the form of securities, these should be valued at the market price at the date of receipt and this amount entered in the account. Gifts of articles in general use at the Hospital, such as provisions, coal, etc., should be brought into the account at their current market price, estimated if necessary, and included under this heading (a corresponding amount being included on the Expenditure side under Provisions, Domestic or other heading according to the nature of the gift).

The net proceeds of entertainments, festivals, bazaars, etc., for the maintenance of the Hospital will be included under this heading.

The sub-heading "Central Funds" is intended for grants from those bodies, unattached to any particular Hospital, that collect funds for distribution among Hospitals generally. It will include both those that restrict their distribution to a particular area, such as King Edward's Hospital Fund for London or the Liverpool Council of Voluntary Aid, and those that do not so localise their area, such as the League of Mercy.

- (ii) *Contributions on Account of Services rendered.*—Under this heading is included every item that a Hospital receives directly or indirectly from its patients towards the cost of the treatment they have received. If a patient's relatives or friends defray the cost of the treatment, this is regarded as a payment by the patient and included under this heading. This is also the case where a sick benefit or similar society to which the patient belongs makes the payment.

Again, Public Authorities take under their charge the treatment of certain diseases such as Tuberculosis and utilise the services of Voluntary Hospitals for this purpose. The payments made by Public Authorities to Hospitals undertaking this work are definitely for specified services rendered, and are therefore included under this heading. The total amount received should be brought in as Income and payments to doctors and other expenses included on the other side.

- (iii) *Invested Property.*—This includes all Dividends, Interest, etc., that may be used for maintenance, derived from investments in securities, landed property, or cash at Bank, etc. It will therefore include the income from Investments belonging to the Endowment Fund, because the annual yield of this Fund is intended to be applied to the current maintenance purposes of the Hospital.

- (14) These three classes of receipts together make up what is known as the Ordinary Income of a Hospital. Receipts of an unusual nature, often described as Sundry Receipts, should be included, whether stated separately or not, under the most appropriate of the above headings.
- (15) The last class of Receipts is regarded as forming the Extraordinary Income of a Hospital, and consists of Legacies (or donations by executors acting under discretionary powers) given to a Hospital without being earmarked by the donor for any special purpose and therefore, like any ordinary donation, available if required to meet its current expenses. The investment of a legacy does not make it an Endowment or less available to defray the general expenses of the Hospital if required.

#### B.—EXPENDITURE.

- (16) The following is a general indication of the details of the expenditure that is included under each heading :—

*Provisions.*—This includes all articles of diet for both patients and staff.



*Surgery and Dispensary.*—This covers Drugs, Dressings, Instruments and Appliances, Wines and Spirits (prescribed for patients). It also includes all the salaries and wages paid to a Dispensary staff.

*Domestic.*—This includes the expense of renewing and repairing all domestic Furniture, Bedding, Crockery, etc.; Laundry; Cleaning; Water; Heat; Light and Power; Uniforms. It includes also all wages paid to Laundry hands.

*Salaries and Wages (Maintenance).*—This covers generally the Nursing, Medical and Domestic staffs. It includes also the Hospital's contribution under the National Health, etc. Acts, and Gratuities, Pensions and Superannuation contributions in respect of these staffs. (The salaries and wages, etc., of the other members of the staff that are excluded from this heading and charged to different headings are indicated under the headings concerned.)

*Miscellaneous.*—This includes expenditure on Printing, Stationery, Postage, Telephones, Advertisements directly concerned with the work in the Wards, Kitchens, etc. and Nurses' Home. It includes also Insurance (except National Health, etc., which follows the salary or wage of the employee concerned), Burial expenses, and the expense of upkeep of a garden, including any wage paid to a gardener.

*Administration.*—This includes the salary of the Secretary and of the Secretarial staff, as well as the other expenses of the Secretary's office. It includes all Printing, Stationery, Postage, Telephone, etc., that is more directly connected with the purely administrative side of the work (for example, the Annual Report, Notices of Meetings, etc.) and so not chargeable to either Miscellaneous or to Appeals. It includes all Law charges (not connected with the purchase or sale of property) and Audit fees.

*Establishment.*—This heading includes only expenditure on the upkeep and the preservation of the Hospital buildings and plant. All expenditure for this purpose, however large the amount, must be entered under this heading and not either entered under Extraordinary or treated as Capital expenditure.

The upkeep of equipment and of furniture is not chargeable to Establishment but to different headings according to its purpose, *e.g.*, Surgery and Dispensary; Domestic; or, if office furniture, Miscellaneous or Administration, as the case may be.

*Finance.*—This heading includes Interest paid on loans, expenses of Appeals for the General Fund of the Hospital and Rent and Rates.

*Extraordinary Expenditure.*—This should not include expenditure that is extraordinary only in its amount or in the infrequency of its incidence. Thus it should not include an exceptionally large expenditure on repairs or renewals, a gratuity paid to a retiring employee, nor the expenses of an opening ceremony.

Only expenditure that is not connected with the normal working of a Hospital should be placed under this heading. Payments to other institutions for treatment given to the patients of the Hospital, contributions to a Samaritan Fund or similar payments, and the expenses of the incorporation of the Hospital should be regarded as extraordinary expenditure.

- (17) The balance of Income over Expenditure is commonly called "The Surplus." This balance does not represent the amount of cash held by the Hospital at the end of the year. It represents the amount saved on maintenance in the course of the year and the addition the Hospital has thereby been enabled to make to its General Fund. The Surplus is carried from the Income and Expenditure Account and entered on the Balance Sheet, where it is added to the General Fund as shown later (page 21, specimen balance sheet and par. 29 (v)).

The excess of Expenditure over Income is commonly called "The Deficit." This represents a reduction that has been made in the course of the year in the Hospital's General Fund. The Deficit is, like the Surplus, carried to the Balance Sheet, where it is deducted from the General Fund.

- (18) The following paragraphs give extracts from the provisions applying to the Income and Expenditure Account contained in the full edition of the Revised Uniform System of Hospital Accounts. The more detailed form of Income and Expenditure Account prescribed by the full Revised Uniform System may be referred to in the Appendix hereto :—
- (i) The Income and Expenditure Account is not to be treated as a Cash Account, but as an account of the actual income and expenditure of the calendar year, from 1st January to 31st December. Accordingly, no balance brought forward from the preceding year may be shown, and it is immaterial when the items were actually received or paid.
  - (ii) Every item of receipts, including Legacies, not specifically earmarked on or before receipt by the donor for a capital purpose or for some

special purpose outside the general purposes of the Hospital, must be treated in the accounts as income, and must be included on the Income side of the account, whether received in the form of cash or of securities, and whether expended on maintenance or buildings, equipment, etc., or ultimately invested.

- (iii) *Voluntary Gifts, Subscriptions, Donations, etc.*—The item Subscriptions, Donations, etc., should agree with the totals of the lists of Subscribers and Donors and Box Collections in the Report (which lists will consequently require totalling), and a reference should be given to the page showing the respective lists.
- (iv) Contributions received specifically to reduce General Fund debt must be included in the Income and Expenditure Account under the appropriate heading of Income, *i.e.*, “Donations” or “Legacies,” etc., as the case may be.

(Contributions to reduce debt on Building or other Capital Account must be regarded as contributions to that Capital Account, and accordingly will be dealt with on the Balance Sheet only.)

- (v) *Finance.*—Interest paid for loans to the General Fund of a Hospital is to be treated as ordinary expenditure and shown under “Finance.” Interest on loans borrowed on behalf of the Building Fund or other Capital Account must be treated as ordinary expenditure, while the interest received on Building Fund moneys should be added directly to the Building Fund Capital Account on the Balance Sheet in the absence of any stipulation to the contrary being attached to the gift.

- (19) Amongst items which must not be included in the Income and Expenditure Account, but must be dealt with on the Balance Sheet, are the following :—

*Receipts.*

- (a) Donations and Legacies specifically given for Building, Endowment, or other Special Capital purpose.
- (b) Proceeds of Sale of Securities.
- (c) Profit on Sale of Securities.
- (d) Loans incurred.
- (e) Fire claims for loss of Buildings and Equipment.
- (f) Balance brought forward from the previous year.

*Payments.*

- (a) Additions or Improvements to Buildings or Equipment, or other Capital Expenditure, or the allocation of income moneys thereto.
- (b) Depreciation of Buildings or Equipment, or provision therefor.
- (c) Repayment of Loans.
- (d) Purchase of Securities (including the retention of Securities received from donors or executors).
- (e) Depreciation or loss on Sale of Securities.
- (f) Reinstatement of Buildings or Equipment destroyed by fire.
- (g) Balance brought forward from the previous year.

### THE BALANCE SHEET.

- (20) It will be generally agreed that the responsible Committee of a Hospital should have an accurate knowledge of the financial position of the Hospital, and it is equally desirable that the Committee should give regularly to the supporters of the Hospital accurate statements of this position. This statement should take the form known as a Balance Sheet. In too many instances the statements issued year after year to the supporters of Hospitals give no information beyond the cash transactions of the year, or, it may be, the financial details of the Hospital's work for the year, without taking into account the combined result of all the previous years.\*
- (21) A Balance Sheet may be described as a statement setting forth the financial position at any given moment of a person or institution. Suppose that A wishes to know his financial position: he makes out a list of all he owes and all he possesses at that time, which reads as follows:—

<i>What A owes.</i>		<i>What A possesses.</i>	
Household and personal accounts	£	Cash at Bank and in hand ...	125
not yet paid ... ..	70	Loans due to A ... ..	10
Mortgage on House ... ..	500	Investments (at market price of the day) ... ..	1,150
		House and Furniture ... ..	1,800
	<u>£570</u>		<u>£3,085</u>

The above statement contains the essence of a Balance Sheet, but it is not itself a Balance Sheet which is presented in a conventional form with conventional terms. What A owes is known as A's "Liabilities," while those to whom he owes money are called his "Creditors." What A possesses is known as A's "Assets," and those who owe him money are known as his "Debtors."

- (22) From the above statement it will be seen that A possesses £2,515 more than he owes, and this balance or surplus of Assets over Liabilities is

\* That this state of affairs is common was seen from an examination of the reports of a number of Hospitals outside London taken at random. The first examination covered 30 Cottage Hospitals, mostly in the South of England: of these, 20, or 66·7 per cent., had no Balance Sheets. The second examination covered 116 other Hospitals, mostly of the Cottage Hospital type but including also larger Hospitals and Special Hospitals in different parts of England: of these, 79, or 68·1 per cent., had no Balance Sheets.

generally called his Capital. Put into Balance Sheet form the above statement would appear as follows :—

A'S BALANCE SHEET. (*Example 1.*)

<i>Liabilities.</i>			£	<i>Assets.</i>			£
Sundry Creditors...	...	...	70	Cash at Bank and in hand ...	...	...	125
Mortgage on House	...	...	500	Sundry Debtors...	...	...	10
A's Capital	...	...	2,515	Investments	...	...	1,150
				House and Furniture	...	...	1,800
			£3,085				£3,085

The word "Sundry" attached to "Creditors" and "Debtors" indicates that the item in question is a total of several items. It will be noted that A's banker is not shown as A's debtor, which in fact he is. But as A's money in the Bank is practically as easily available as if it were in his house, it is treated in practice as if it were so.

- (23) Now suppose that there is a trust fund (say £1,000) for the benefit of B for which A has to account, and that at the date on which A draws up his Balance Sheet he has just received a half-year's dividend of £25 which he has not yet paid to B. A would draw up a balance sheet similar to that shown above, with the items relating to this trust fund kept separate from the other items, thus :—

A'S BALANCE SHEET. (*Example 2.*)

<i>Liabilities.</i>			£	<i>Assets.</i>			£	£
Creditors ...	...	...	70	Cash at Bank and in hand :—				
Mortgage on House	...	...	500	On A's Account	...	125		
B's Trust Fund Capital...	...	...	1,000	„ B's Trust Fund	...	25		
B's Trust Fund: Dividend not	...	...		Account	...	—	150	
yet paid over	...	...	25	Debtors ...	...	...		10
A's Capital	...	...	2,515	Investments :—				
				On A's Account	...	1,150		
				„ B's Trust Fund...	...	1,000		
				House and Furniture	...	...	2,150	
			£4,110				£4,110	

- (24) If A had kept his own accounts in the same manner as he would have kept the accounts of a business, all the items that appear on his Balance Sheet would be contained in accounts in a book called a Ledger. A Balance Sheet, therefore, is so called simply because it is a statement of the balances of the accounts in the Ledger after all the proper entries have been made up to the date of the Balance Sheet.

The Balance Sheet of a Hospital differs in no essential from that

of A. Even in the most complex case the difference will consist simply in elaboration of the details.

- (25) To take a simple case first, that of a small Hospital, the income of which has generally exceeded its expenditure and the funds of which consist simply of what is known as the "General Fund" derived from receipts for the general purposes of the Hospital which have no special conditions attached. On the Hospital's Balance Sheet this General Fund corresponds to A's Capital in the examples given above.

BLANK HOSPITAL.  
BALANCE SHEET AT 31ST DECEMBER, 1927. (*Example 3.*)

<i>Liabilities.</i>	£	<i>Assets.</i>	£
Sundry Creditors ... ..	45	Cash at Bank and in hand ...	210
Capital Account for General Fund	11,695	Sundry Debtors... ..	30
		Investments on account of General Fund... ..	1,500
		Land, Buildings and Equipment of the Hospital ... ..	10,000
	<u>£11,740</u>		<u>£11,740</u>

- (26) The second example of A's Balance Sheet dealt with A's position when he possessed a special trust fund. This is the position of most Hospitals; they generally have funds the use of which has been restricted by the donors. The commonest examples of such funds are Endowment Funds and Building Funds.

The characteristic feature of an Endowment Fund (as that term is understood in the Revised Uniform System) is that the Capital may not be spent, while the Income is to be applied to the purpose indicated by the donor. The most usual and the most important class of Endowment Funds is that in which the income has to be applied to the work of the Hospital in maintaining and treating its patients. It is in this sense that the word Endowment is to be understood where it occurs without further qualification in the Revised Uniform System.

The Building Fund of a Hospital provides another example of money given with a trust attached. No money given specifically for Building or Building and Equipment may be applied to any other purpose.

In addition to these a Hospital may receive funds for other purposes, *e.g.*, a Samaritan Fund.

- (27) The following example illustrates in outline the Balance Sheet of a Hospital having Endowment and Building Funds:—

## BLANK HOSPITAL.

BALANCE SHEET AT 31ST DECEMBER, 1927. (*Example 4.*)

<i>Liabilities.</i>		£	<i>Assets.</i>		£
1. Sundry Creditors ... ..		300	1. Cash at Bank and in hand :		
2.*Capital Accounts :—			on account of General Fund		400
Hospital Endowment ... ..		2,000	2. Sundry Debtors ... ..		100
Building and Equipment ... ..		10,000	3. Investments on account of		
General Fund—			Hospital Endowments ... ..		2,000
Balance as per last			General Fund ... ..		3,500
Balance Sheet ... £3,390			4.*Land, Buildings and Equip-		
Add Surplus from			ment of the Hospital ... ..		10,000
I. and E. Account	310				
		3,700			
		£16,000			£16,000

\* See par. 29 (iii), (iv), (v) and (xiii) for examples showing how these items should be set out when changes in them during the year have taken place.

(28) A Balance Sheet based on the foregoing principles, and framed on the lines of Example 4, should be published by every small Hospital or similar institution, but it is not considered necessary to publish a stereotyped form for this purpose. In many cases it would probably be desirable to publish more details, but this would vary with each Hospital and would not affect the principle of the Balance Sheet. The form of Balance Sheet prescribed by the full Revised Uniform System of Hospital Accounts contains more detail than will usually be found necessary for the Balance Sheet of a small Hospital.

(29) The following explanatory paragraphs are based on the provisions applying to the Balance Sheet contained in the full edition of the Revised Uniform System of Hospital Accounts. The form of this Balance Sheet is included in the Appendix hereto :—

(i) *Loans to Hospital.*—All loans to the Institution remaining unpaid at the end of the financial year should appear in detail, distinguishing the Funds in respect of which the loans were incurred.

(ii) *Capital Accounts.*—Only funds under the control of the Governing Bodies (whether held in the name of the Institution or its Trustees or by the Charity Commissioners on its behalf) should be included under these headings.

Under each heading, the amount of the Capital Account in question at the beginning of the year, the total amount received during the year, and any adjustments, whether of addition or

deduction, should be set forth separately in order to show clearly how the amount of the Capital Account at the end of the year is arrived at.

- (iii) *Hospital Endowments*.—Donations, legacies, etc., received subject to trusts attached by the donors whereby the capital of the gift cannot be spent, while the income is to be applied to the general purposes of the Hospital or some part thereof, will not be entered in the Income and Expenditure Account but be taken direct to the Balance Sheet and entered under this heading. Example :—

## CAPITAL ACCOUNTS :

Hospital Endowments—	£	s.	d.	£	s.	d.
As per last Account ... ..	1,750	0	0			
Add Received during the year ( <i>see page.....</i> )	250	0	0			
				2,000	0	0

General Fund moneys invested at the discretion of the Governing Body of the Hospital must not be included under this heading.

- (iv) *Buildings and Equipment Funds*.—This heading is intended to provide for the statement thereunder of all funds specifically subscribed, given, or bequeathed, for the above purposes. It provides for such funds as, in the discretion of the Governing Body, have been transferred for these purposes from the General Fund of the Hospital. Any such transfer from the General Fund should be stated separately. Example :—

## CAPITAL ACCOUNTS :

Buildings and Equipment Funds—	£	s.	d.	£	s.	d.
Balance as per last Account... ..	8,490	0	0			
Add Donations during the year ( <i>see page...</i> )	1,000	0	0			
Add Transfer from General Fund ... ..	510	0	0			
				10,000	0	0

Interest on Building Fund moneys should be added to the Capital Account.

- (v) *General Fund*.—This heading is intended for the statement thereunder of accumulations derived from surpluses of the Income of the Hospital over its Expenditure. The balance from the Income and Expenditure Account must be carried intact to the Balance Sheet and added to this Fund if a surplus or deducted if a deficit.

Any appropriations from the balance of the Income and Expenditure Account should be dealt with on the Balance Sheet as transfers from the General Fund. Example :—



CAPITAL ACCOUNTS:	£	s.	d.	£	s.	d.
General Fund—						
Balance as per last Account... ..	3,890	0	0			
Add Excess of Income over Expenditure for the year ... ..	310	0	0			
Add Gain on Sale of Investments ... ..	10	0	0			
	<hr/>			4,210	0	0
Less Transfer to Building and Equipment Fund ... ..	510	0	0			
	<hr/>				3,700	0 0

If there is a deficiency on the General Fund, this heading will appear on the other side of the Balance Sheet.

- (vi) *Funds subject to trusts*, in accordance with which the Capital or the Income (as the case may be) is to be applied to purposes (e.g., Samaritan) outside the general purposes of the Hospital and is therefore not carried to the Income and Expenditure Account, should be shown separately on the Balance Sheet under the heading of "Special Funds."
- (vii) *Lists of Donations and Legacies to Capital Accounts*.—Detailed lists should be published in the Annual Report, and these should be totalled to agree with the respective entries on the Balance Sheet, which should contain a page reference to the lists as shown in the examples in (iii) and (iv).
- (viii) *Cash at Bank and in Hand*.—The sub-headings must correspond with the headings of the Capital Accounts for which cash is actually held, and show the total cash (whether in hand or at bank on deposit or current account) held for each fund separately.
- (ix) *Investments*.—The sub-headings must correspond with the headings of the Capital Accounts for which investments are held, and show against each the total of the investments held on behalf of the fund in question. It is the practice to give a general description of the investments, such as the number of shares, the nominal amount and character of the stock held.

If the investments consist of only one or two different stocks, the particulars may very well be set out on the Balance Sheet itself; but if they are numerous, the details should be set out in a schedule, to which reference should be made on the Balance Sheet.

- (x) *Investments: Valuation and Depreciation*.—It is desirable to state each investment at the cost price, including expenses of transfer, except in cases where important depreciation believed to be of a

permanent character has taken place, when the cost price may be written down and the security stated at the lower value. In such cases the corresponding Capital Account should be written down by a similar amount and no entry in respect of depreciation should be made in the Income and Expenditure Account.

- (xi) *Investments: Gain or Loss on Sale.*—A gain or loss on an investment may not be treated as an addition to the year's income or expenditure in the Income and Expenditure Account, but should be entered direct on the Balance Sheet and shown as an addition to, or reduction of, the fund in respect of which the investment was held.
- (xii) *Investments: Landed Property and Estates.*—Landed property and estates (other than the land and buildings used or intended for immediate use by the Hospital itself) should be included under the appropriate sub-heads of "Investments," and not under "Land, Buildings and Equipment of the Hospital."
- (xiii) *Land, Buildings and Equipment.*—Where expenditure on additions has taken place during the year under review, this should be stated separately and two entries should be made under this heading and totalled. Example:—

Land, Buildings and Equipment of the Hospital—	£	£
Balance as per last Account ... ..	9,500	
Expenditure during the year ... ..	500	
	10,000	

- (xiv) *Loss by Fire.*—Loss of or damage to Buildings or Equipment occasioned by fire should be written off the Capital Account and off the expenditure on Land, Buildings and Equipment. The amount recovered through insurance should be added to the Capital Account, while the amount expended on replacing the property destroyed will be added to expenditure on Land, Buildings and Equipment.
- (xv) *Special Trusts cannot be attached by the Hospital itself.*—It would be inconsistent with the principles of the Revised Uniform System for a Hospital voluntarily to attach, to any gift received unconditionally from the donors, conditions or trusts which would wholly remove from the Governing Body the ultimate power of realising and using the investments representing such gift, and thus render the gift unsuitable for inclusion under Capital for General Fund.

**STATISTICAL TABLES.**

(30) The foregoing chapters have dealt only with that aspect of a Hospital's activities which is concerned with the collection and the expenditure of pounds, shillings and pence. It is not, however, enough to know how much money the Hospital has expended and what the money has purchased. It should also be known whether the work done is properly related to the expenditure, and this requires the consideration of such factors as the number of beds in the Hospital; how many of these on the average have been occupied daily throughout the year (in other words the average number of patients resident daily); how much an occupied bed has cost; and, in the case of a Hospital with Out-patients, how many Out-patient treatments have been given and how much an Out-patient attendance has cost.

(31) It is desirable, therefore, that a Hospital's Report should contain, in addition to its Income and Expenditure Account and Balance Sheet, some statistics of beds, patients and, if possible, costs. The information asked for in the following Statement is the minimum that should be given. (Items 4 and 5 will, of course, apply only to Hospitals with Out-patients.) Figures have been inserted for the purpose of illustration.

It is usual to add the corresponding figures of the previous year; publishing the figures thus side by side makes for ease of comparison by avoiding the necessity of reference to the Report of another year.

STATISTICAL STATEMENT.

	1927 (i.e., year under review).
1. Normal complement of Beds at 31st December ... ..	12
2. Average daily number for the year of Beds occupied ... ..	9
3. Number of In-patients admitted during the year ... ..	170
4. Total number for the year of New Out-patients ... ..	500
5. Total number for the year of Out-patient Attendances ... ..	3,000

(32) The following explanatory paragraphs show how these figures should be obtained :—

- (i) *Normal complement.*—This means the total number of beds permanently allocated in normal conditions to the use of In-patients. It includes, therefore, beds temporarily closed and excludes beds temporarily in use in excess of the normal number.
- (ii) *Average daily number of beds occupied.*—The average number of beds in daily occupation is to be calculated by adding together the daily totals of all the counts for the year of the daily number of In-patients (*see* (iii) below), thus obtaining what is called the total “Patient-Days” for the year, and dividing this result by the number of days in that year, example :—

Suppose the daily count shows that there were 10 In-patients on 1st January, 8 on the 2nd January, 11 on the 3rd January and so on throughout the year, and that the addition of these daily totals for the year gives a total of 3,285 “Patient-Days.” Then the average number of beds occupied is found by dividing 3,285 by 365 (366 in leap year).
- (iii) *Number of In-patients admitted.*—For statistical purposes an In-patient is a patient who is recorded in a book kept for that purpose as having been in the In-patient Department of the Hospital at a fixed hour of the day, which hour (once fixed) must not be changed during the year. A patient in a temporary bed in the In-patient Department at the fixed hour should be counted. Patients already in residence at the beginning of the year should not be included under this heading.
- (iv) *Number of New Out-patients.*—For statistical purposes a New Out-patient is an individual attending the Hospital, otherwise than as an In-patient, for treatment or advice and whose first attendance of a continuous series for the same ailment (or whose single attendance, if only one is needed) falls within the year under review.
- (v) *Number of Out-patient Attendances.*—The total number of Out-patient Attendances will include the attendances during the year both of New Out-patients and of those on the books at the beginning of the year. The statistics of attendances should be based upon a count of the number of attendances actually made by patients.

The foregoing is the minimum amount of statistical information on the work of the year that the Annual Report of a Hospital ought to

contain, and only the smallest institutions whose circumstances do not enable them to publish more details should be content with this minimum.

(33) Preferably the Hospital's Report should give the additional information asked for in the appropriate one of the two tables below, the form of which should be followed. As in the previous example, figures have been inserted for the purpose of illustration. In the case of Hospitals with both In-patients and Out-patients, both tables should be published.

STATISTICAL TABLE.

IN-PATIENTS.

A.—NUMBER OF BEDS AND PATIENTS.

	1927 (i.e., year under review).	1926 (i.e., year preceding).
*1. Normal complement of Beds at 31st December ... ..	20	20
*2. Average daily number for the year of Beds occupied ... ..	18	17
*3. Number of In-patients admitted during the year ... ..	469	443

B.—AVERAGE COST OF EACH IN-PATIENT PER WEEK.

	1927 (i.e., year under review).		1926 (i.e., year preceding).
	Expenditure.	Average Cost of each In-patient per week.	Average Cost of each In-patient per week.
	£	£ s. d.	£ s. d.
1. Provisions ... ..	610	0 13 0	0 14 0
2. Surgery and Dispensary ... ..	410	0 8 9	0 9 0
3. Domestic ... ..	705	0 15 0	0 14 9
4. Salaries and Wages (Maintenance) ... ..	715	0 15 3	0 15 6
5. Miscellaneous ... ..	40	0 0 10	0 1 0
6. Administration ... ..	150	0 3 2	0 4 2
Statistical Cost ... ..	2,630	2 16 0	2 18 5
7. Establishment: Renewals and Repairs ... ..	105	0 2 3	0 3 4
8. Finance ... ..	60	0 1 3	0 1 0
TOTAL COST ... ..	2,795	2 19 6	3 2 9

\* See over, paragraph (34).

## STATISTICAL TABLE.

## OUT-PATIENTS.

## A.—NUMBERS.

	1927 (i.e., year under review).	1926 (i.e., year preceding).
*1. Total Number for the year of New Out-patients ... ..	800	750
*2. Total Number for the year of Out-patient Attendances ... ..	2,500	2,250

## B.—AVERAGE COST OF EACH OUT-PATIENT ATTENDANCE.

	1927 (i.e., year under review).		1926 (i.e., year preceding).
	Expenditure.	Average Cost of each Out-patient Attendance.	Average Cost of each Out-patient Attendance.
	£	Pence.	Pence.
1. Provisions ... ..	15	1·4	1·5
2. Surgery and Dispensary ... ..	35	3·4	3·6
3. Domestic ... ..	40	3·8	4·2
4. Salaries and Wages (Maintenance) ... ..	40	3·8	4·1
5. Miscellaneous ... ..	5	0·5	0·5
6. Administration ... ..	10	1·0	1·1
Statistical Cost ... ..	145	13·9	15·0
7. Establishment: Renewals and Repairs ... ..	15	1·4	1·2
8. Finance ... ..	5	0·5	0·3
TOTAL COST ... ..	165	15·8	16·5

(34) The items marked \* are explained in paragraph (32) above. The following explanations cover the additional items in the tables:—

(i) *Statistical Cost and Total Cost.*—The figure to be analysed in the Statistical Table(s) is the total of the Ordinary Expenditure as stated in the Income and Expenditure Account. Extraordinary Expenditure is not to be included. It will be noticed that provision is made for a sub-total cost as well as the total cost. This sub-total,

called the Statistical Cost, comprises those branches of annual expenditure that are most closely related to the volume of work done during the year and are more readily controllable by the management; it is based upon the first six heads of expenditure in the Income and Expenditure Account. The Total Cost is based upon the total of the Ordinary Expenditure and includes, in addition to the expenditure covered by the Statistical Cost, the expenditure under Establishment and Finance which is not dependent upon the work done in any particular year: for example, when a Hospital is finding it difficult to meet the day to day expenditure, expenditure on Renewals and Repairs is apt to be postponed to a later year in the hope that money will be more easily available; under Finance, again, there may be expenditure on Rent which does not vary with the number of patients in the Hospital, or on Appeals which relates to the raising of Income. It will be apparent, therefore, that for the purpose of comparing the cost of one year with another, the Statistical Cost is the important figure.

- (ii) *Average Cost of each In-patient per week.*—This figure is found by dividing the expenditure under each head of Ordinary Expenditure by the total "Patient-days" for the year (*i.e.*, the total found by adding together the totals of all the daily counts of In-patients, as explained in par. 32 (ii)); this gives the cost per patient per day which multiplied by 7 gives the cost per week. It is unnecessary to enter fractions of a penny.

The Statistical Cost and Total Cost figures are found by adding the detail costs against each head, but the results should be checked by calculating the Statistical and the Total Cost directly from the respective total expenditures. It will usually be found that there is a slight discrepancy of at most a few pence between the added totals and the calculated totals due to there being fractions of a penny over or under in the detailed costs; this can be adjusted, if necessary, by making one or more of the details a penny more or a penny less as the discrepancy requires.

- (iii) *Separation of Expenditure between In-patients and Out-patients.*—Where a Hospital treats both In-patients and Out-patients and consequently publishes both Statistical Tables, it is necessary to separate the expenditure between the two classes of patients in order to ascertain the expenditure for each Table upon which to

base the costs. This separation should be effected so far as possible by the identification of the expenditure on each class, and where such analysis is impracticable by careful estimates and apportionments.

- (iv) *Average Cost of each Out-patient Attendance.*—This is found simply by dividing each head of the expenditure on Out-patients by the total Out-patient attendances for the year, the addition of the details giving the total costs. It is desirable to express the first decimal of a penny in the Out-patient costs. The remarks in this paragraph under “Average Cost of each In-patient per week” (ii above) on checking the added totals with the results obtained by direct calculation of the Statistical and Total Costs apply also to the Out-patient Table.



APPENDIX.

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REPRINTS FROM THE FULL REVISED UNIFORM SYSTEM OF HOSPITAL  
ACCOUNTS—

	PAGE
FORM OF INCOME AND EXPENDITURE ACCOUNT ... ..	32
FORM OF BALANCE SHEET ... ..	34
THE BUDGET ... ..	35



as prescribed by the Revised Uniform System.  
and are not intended to be printed.

EXPENDITURE.		£	s.	d.
<b>ORDINARY.</b>				
I. PROVISIONS.				
		£		
II. SURGERY AND DISPENSARY.				
1. Drugs, Chemicals, Disinfectants, etc. ....	£			
2. Dressings, Bandages, etc. ....	£			
3. Instruments and Appliances ....	£			
4. Wines and Spirits ....	£			
5. Salaries and Wages of Dispensing Staff	£			
6. Sundries ....	£			
		£		
III. DOMESTIC.				
1. Renewal and Repair of Furniture, Bedding, Crockery, etc. ....	£			
2. Laundry ....	£			
3. Cleaning and Chandlery ....	£			
4. Water ....	£			
5. Fuel, Lighting, Heat and Power	£			
6. Uniforms ....	£			
7. Sundries ....	£			
		£		
IV. SALARIES AND WAGES (MAINTENANCE).				
1. Medical ....	£			
2. Nursing ....	£			
3. Other Officers and Employees ....	£			
4. Pensions ....	£			
		£		
V. MISCELLANEOUS.				
1. Printing, Stationery, Postages, Telephones, etc. ....	£			
2. Advertisements ....	£			
3. Insurance of Buildings, Equipment, Stores, etc. ....	£			
4. Garden ....	£			
5. Sundries ....	£			
		£		
VI. ADMINISTRATION.				
1. Salaries ....	£			
2. Pensions ....	£			
3. Printing, Stationery, Postages, Telephones, etc. ....	£			
4. Advertisements ....	£			
5. Law Charges ....	£			
6. Auditors' Fee ....	£			
7. Sundries ....	£			
		£		
VII. ESTABLISHMENT.				
Renewals and Repairs to Buildings and Plant ....	£			
		£		
VIII. FINANCE.				
1. Interest ....	£			
2. Appeals ....	£			
3. Rent ....	£			
4. Rates and Taxes ....	£			
		£		
ORDINARY EXPENDITURE		£		
<b>EXTRAORDINARY.</b>				
I. CONTRIBUTIONS TO OTHER INSTITUTIONS				
(To be detailed.)				
II. Other Extraordinary Expenditure ....	£			
		£		
EXTRAORDINARY EXPENDITURE		£		
TOTAL EXPENDITURE		£		
BALANCE, BEING EXCESS OF TOTAL INCOME OVER TOTAL EXPENDITURE FOR THE YEAR		£		
		£		

the figures should be entered, and need not be printed.



## THE BUDGET.

The Budget, or periodical Estimate of Income and Expenditure, is a feature of internal control which has not received the attention it deserves at the hands of Hospital Authorities. When compared from time to time with returns of actual Income and Expenditure it is a most valuable method of control.

It is of greater importance to control the expenditure of money by knowing what it is to be used for before it is spent than to ascertain by careful analysis what was done with it after it has been spent.

As is well known, the Budget is the basis of Parliamentary control over National Expenditure; every municipal authority is required by law to prepare an annual or bi-annual budget, and if Hospitals are to retain the confidence of their supporters they will have to adopt recognised methods of control.

A Budget simply means financial planning based on a carefully compiled estimate of expected income and intended expenditure. The fact that the proposed expenditure has to be deliberately considered and reviewed at the beginning of the Budget period, with the knowledge that it will be periodically compared with the actual expenditure, is invaluable as a moral factor in controlling expenditure.

Another advantage of the Budget is the use to which it can be put on the issue of an appeal for funds. A properly prepared Budget is the foundation on which the financial arguments of an appeal can be based, and frequently is the best advocate for the appeal.

The object of a Budget is to ascertain what amount, in addition to receipts from known sources, will be required to meet the expenditure estimated to be incurred during a certain future period, and to frame the details of expenditure in relation to the income expected and in such form that comparison will be facilitated between the proposed transactions as set out

and the actual transactions as and when they take place. The aim should be, therefore, to provide the Committee with such a Budget as will, whilst not being clouded with detail, show clearly the various items of expenditure grouped under appropriate headings. These, for convenience and purposes of subsequent comparison, may well be the headings in the annual Income and Expenditure Account.

In the case of Hospitals organised on a departmental basis, Heads of Departments should prepare their own Budgets, and should be definitely responsible for keeping their expenditure within the estimates approved by the Board.

A preliminary review of the Budgets should then be made by a Sub-Committee having authority to call for revised estimates. The final approval should be given only by the Board of Management, and, once such approval has been given, no addition should be allowed to any of the amounts approved, without the prior sanction of the Board. After the Budget has been approved, it will be of little value unless a definite procedure is adopted by means of which it can be ascertained from time to time that its provisions are being adhered to, not only as to totals, but as to the individual items making up the totals. This is important, as it prevents a saving on one item being set off against over-expenditure on another.

It frequently happens that special expenditure which could not be foreseen at the time the Budget was prepared has to be provided for, as, for example, additions to, or improvements in, the work of the Hospital. Such contingencies can always be met by means of a supplemental Budget submitted to the Board of Management. It is desirable that a supplemental Budget should be presented at the same time as one of the periodical returns showing how the actual expenditure compares with the estimate to date, so that it may be seen that the proposed expenditure fits in with the main Budget.

The Budget being a statement of estimated Income and Expenditure, the form given on page 38 (with the corresponding information under Expenditure) is the only one essential. But to confine the Budget to this bald statement is to deprive the procedure of most of its usefulness. The form on page 39 (with the corresponding information under Income) shows how the actual income and expenditure should be compared periodically with the estimated figures.

These forms, which will be common in outline to all Hospitals preparing Budgets (though some may require more detail than others), are the only forms of which illustrations need be given. In practice, Hospitals will find it necessary to have supporting or complementary schedules dealing in detail with the different items of the Budget or covering the activities of special departments.

A Budget should also be prepared for any Capital Expenditure that may be intended. Here, again, the form required will vary. A Hospital with ample General Funds with no intention of appealing for a Special Building Fund can adopt a simple statement of the amount required to complete the scheme, the amount of expenditure proposed during the period covered by the Budget and the amount authorised. In the case of a Hospital with limited General Funds more information would be necessary, as the issue of a Building Appeal might seriously affect the General Fund income.

The preparation of the Budget leads logically to the preparation of the Statement of the Financial Position. Whether a Hospital's Budget consists only of the fewest and simplest forms or of the most elaborate, it should be accompanied by a statement of the present and prospective financial position.

The Budget and the Financial Statement should be interdependent. The one cannot be prepared and the other ignored without impairing the effectiveness of each. It is just as important to forecast the financial position as a whole as it is to estimate income and expenditure. Obviously the latter is necessary to obtain the former. Conversely, the Budget must be scanned in the light of the financial position, not merely to keep the proposed expenditure within the necessary limits, but still more so if a decision has to be made whether the work of the Hospital must be curtailed or funds borrowed or extraordinary efforts made to increase Income.

The following forms illustrate part of the procedure in preparing and comparing Budgets :—

.....HOSPITAL.

## ESTIMATES FOR 19.....

ITEMS OF INCOME,	Income for 19..... (past year).	Estimates for 19..... (ensuing year).	Increase.	Decrease.	REMARKS.
	£	£	£	£	
ORDINARY,					
I. VOLUNTARY GIFTS.					
1. Subscriptions, Donations, etc. :—					
Annual Subscriptions ... ..					
Donations ... ..					
Box Collections ... ..					
Entertainments ... ..					
Gifts in Kind ... ..					
Other Voluntary Gifts ... ..					
2. Central Funds :—					
King Edward's Hospital Fund ...					
Hospital Sunday Fund ... ..					
Hospital Saturday Fund ... ..					
Other Central Funds ... ..					
TOTAL ... ..					
II. RECEIPTS ON ACCOUNT OF SERVICES RENDERED.					
1. Contributions on account of Services to Patients :—					
(a) From Patients and their Societies—					
Patients ... ..					
Hospital Contributory Asso- ciations ... ..					
Approved Societies ... ..					
Other Sources ... ..					
Etc. ... ..					
Etc. ... ..					
Etc. ... ..					
TOTAL ... ..					
III. INVESTED PROPERTY.					
Interest, Dividends, etc. ... ..					
Rents ... ..					
TOTAL ... ..					
Continue for all Headings of Income ...					
GRAND TOTAL ... ..					

A similar form should be used for estimating Expenditure under its various headings for the ensuing year.

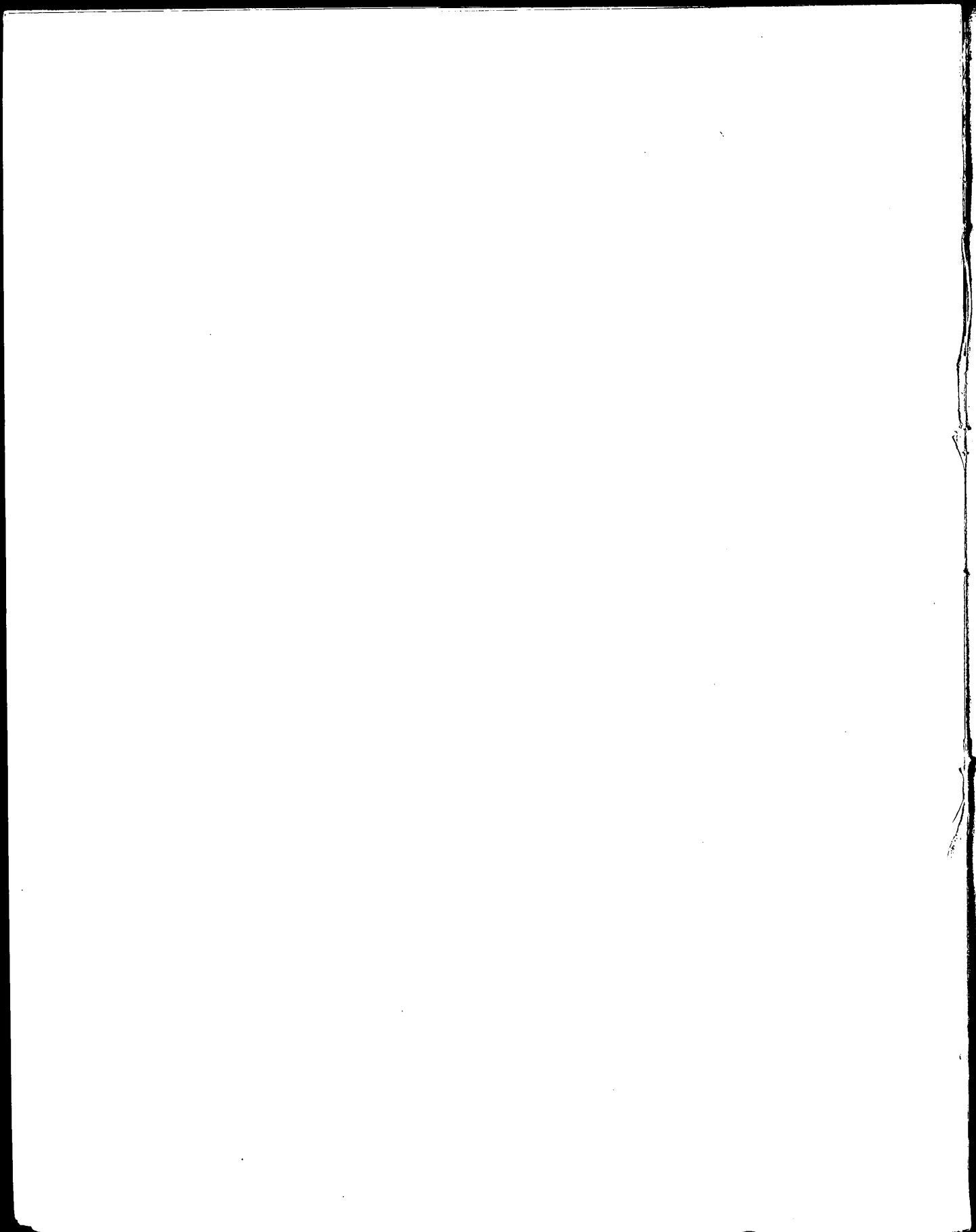


HOSPITAL.

COMPARATIVE STATEMENT SHOWING ESTIMATED EXPENDITURE FOR 19..... AND ACTUAL QUARTERLY EXPENDITURE.

ITEMS OF EXPENDITURE.	Estimates for 19.....	For 3 Months.		For 6 Months.		For 9 Months.		For 12 Months.			REMARKS.
		Actual Expenditure.	Balance available.	Actual Expenditure.	Balance available.	Actual Expenditure.	Balance available.	Actual Expenditure.	Over-spent.	Amount saved.	
	£	£	£	£	£	£	£	£	£	£	
ORDINARY.											
I. PROVISIONS.											
II. SURGERY AND DISPENSARY.											
1. Drugs, Chemicals, Disinfectants, etc.											
2. Dressings, Bandages, etc. ....											
3. Instruments and Appliances ...											
4. Wines and Spirits ... ..											
5. Salaries and Wages of Dispensing Staff ... ..											
6. Sundries ... ..											
TOTAL FOR SURGERY & DISPENSARY											
III. DOMESTIC.											
1. Renewal and Repair of Furniture, Bedding, Crockery, etc. ....											
2. Laundry ... ..											
3. Cleaning and Chandlery ... ..											
4. Water ... ..											
5. Fuel and Lighting ... ..											
6. Uniforms ... ..											
7. Sundries ... ..											
TOTAL FOR DOMESTIC ... ..											
IV. SALARIES AND WAGES (MAINTENANCE).											
1. Medical ... ..											
2. Nursing ... ..											
3. Other Officers and Employees ...											
4. Pensions ... ..											
TOTAL FOR SALARIES AND WAGES											
etc. ... ..											
etc. ... ..											
etc. ... ..											

A similar form should be used for comparing the Income received with the estimated Income.



King's Fund



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