

Policy and Practices of Financial Management

With special reference to

AMRI HOSPITALS, Bhubaneswar

By:

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Integrated MBA (2018-23)

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DECLARATION

I **Dibyajyoti Das**, Student of **Biju Patnaik Institute of IT and Management Studies**, Bhubaneswar (BPUT Registration Number- 1813258013) have undergone Summer Internship Programme as **Intern/Trainee Finance and Accounts** at **Amri Hospitals**, Bhubaneswar.

The project work on '**Policies and Practices of Financial Management**- with Special reference to Amri Hospitals, Bhubaneswar' is an original work by me and hasn't published in any other forum yet. The Sources of Information throughout the report have been acknowledged.

This Report work is for submission to Amri Hospitals, Bhubaneswar and Biju Patnaik Institute of IT and Management Studies, Bhubaneswar in the partial fulfilment of the requirement for the award of the degree of Masters in Business Administration (Integrated).

Dibyajyoti Das

Certificate from AMRI, Bhubaneswar



AMRI/BBSR/22-23/L/121

Date:-30.05.2022

TO WHOMSOEVER IT MAY CONCERN

This is to certify that **Mr.Dibyajyoti Das**, bearing **Reg. No. 1813258013**, a student of **Biju Patnaik Institute of Information Technology & Management Studies** has sincerely & successfully completed his Internship Programme on the Topic **“Policy and Practices of Financial Management”** in the department of **Finance** in **AMRI Hospitals, Bhubaneswar** a part of his course curriculum. The tenure of his Internship was from **15th April 2022 to 30th May 2022**.

We wish him all the best for his future endeavour.

For AMRI Hospitals,


Rajashree Upadhyaya
GM - Human Resources

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Kolkata Unit : AMRI Hospitals - Dhakuria | Salt Lake | Mukundapur | AMRI Medical Centre - Southern Avenue
C.I.N. - U85110WB1986PLC040525



H-2016-0380



Biju Patnaik Institute of Information Technology & Management Studies

Certificate of Internal Guide

This is to certify that Mr. Dibyajyoti Das (BPUT Registration number: 1813258013) of IMBA 2018-23 has successfully completed his Summer Internship Programme at AMRI Hospitals, Bhubaneswar on the following topic;

‘Policy and Practices of Financial Management: With Special reference to Amri Hospitals, Bhubaneswar’

His work is bonafide and found satisfactory. I wish all the best for his future endeavour.

Dr. Chinmaya Kumar Rout
Assistant Professor (Finance)

ACKNOWLEDGEMENT

I am using this opportunity to express my gratitude to everyone who supported me throughout the course of this Summer Internship Training. I am thankful for their aspiring guidance, invaluable constructive criticism and friendly advice during the training period. I am sincerely grateful to them for sharing their truthful and illuminating views on a number of issues related to the project.

I express my warm thanks to Mr. Biswa Darshan Dash and Mr. Santosh Kumar Swain for their support and guidance at Amri.

I would also like to thank my project external guide CA Sunil Jaiswal, Head, Finance and Accounts, Amri Hospitals, Bhubaneswar and internal guide Dr. Chinmaya Kumar Rout, Assistant Professor (Finance), BIITM, Bhubaneswar and all the people who provided me with the facilities being required and conducive conditions for my SIP project.

I would like to convey my sincere gratitude to Dr. Mihir Ranjan Nayak, (Principal BIITM) and Mr. K. Chandrasekhar, (Head Placement and Training) for providing this amazing opportunity.

Thank you!

Dibyajyoti Das

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List of Symbols and Abbreviations

1. TPA: Third Party Administration.
2. CAPEX: Capital Expenditure
3. Revex: Revenue Expenditure
4. GRN: Goods Receipt Note
5. MIS: Management Information System
6. MRP: Material Requirement Planning
7. ERP: Enterprise Resource Planning
8. POS: Point of Sale
9. OPD: Out Patient Department
10. IPD: Inpatient Department
- 11.WCM: Working Capital Management
- 12.BSKY: Biju Swasthya Kalyan Yojana
- 13.FTTF: Free Treatment for Trauma Fund
- 14.NABH: National Accreditation Board for Hospitals
- 15.GAAP: Generally Accepted Accounting Principle
- 16.AMRI: Advanced Medical Research Institute
- 17.\$: US Dollar
- 18.N/A: Not Applicable

CHAPTER 1

INTRODUCTION

The following chapter is made up of:

- 1.1 Background
- 1.2 Objectives
- 1.3 Review of Literature
- 1.4 Methodology
- 1.6 Data Sources
- 1.7 Data Limitation

1.1 BACKGROUND

Summer Internship is a bridge for a student from college life to corporate life. During the 6-8 weeks of internship, we acquire basic skills to level with growing corporate culture. We get to experience the actual work environment which are we unaware of, it is a matter of shaping and preparing for the upcoming chapter of your life.

As partial fulfilment of the requirements of the Masters Business Administration program from Biju Patnaik Institute of IT and Management Studies, Bhubaneswar, I was assigned to Amri Hospitals, Finance Department for six - week internship program.

From 15th April 2022 - 30th May 2022, I have been engaged in summer internship at Amri Hospitals, Bhubaneswar as Intern/Trainee of Finance & Accounts department.

During the Internship period I have been assigned with various roles and got a first-hand chance to see how an actual corporate really runs. Packing with the theoretical knowledge from the university and applied experience from Amri, I am submitting this report for my Partial fulfilment of the degree of Masters of Business Administration (Integrated).

1.2. OBJECTIVES

- To study the Financial Policy of Healthcare Industry with reference to Amri Hospitals.
- To analyse the best Practices of Financial Management in Amri Hospitals.
- To obtain the status of the competitors in terms of Financial Practices.

- To generate a thorough understanding of the workplace relationship, performing of the activities and engaging oneself in the working environment.
- To acquire exposure in the working environment resulting in the development of practical financial knowledge and its practices.
- To learn and apply theoretical knowledge practically in the workplace.
- To develop interpersonal, managerial and communication skills.

1.3. LITERATURE REVIEW

Taxation and Corporate Financial Policy

Alan J.Auerbach

University of California, Berkeley and NBER

This chapter reviews the theory and evidence regarding the impact of taxation on corporate financial policy. Starting from a basic characterization of the classical corporate income tax and its effects, the analysis focuses on three areas of research: equity policy, debt–equity decisions, and choices regarding ownership structure and organizational form. The discussion stresses the distinction between nominal and more fundamental financial differences – for example, in the relationship between borrowing and leasing – and that financial policy involves choices not only among different underlying policies but also among characterizations of a given policy. The final section offers some brief reflections on the implications of continuing financial innovation.

Competition in the Financial Sector: Overview of Competition Policies

Stijn Claessens

The World Bank Research Observer, Volume 24, Issue 1, February 2009, Pages 83–118.

Competition in the financial sector, as in other sectors, matters for allocative, productive, and dynamic efficiency. Theory suggests, however, that unfettered competition is not necessarily best given the special features of financial services. The author discusses these analytical complications before reviewing how to assess competition in the financial sector and its determinants. It is shown that competitiveness varies greatly across countries, in perhaps surprising ways, and that it is not driven by financial system concentration. Rather, systems with greater foreign entry and fewer entry and activity restrictions tend to be more competitive, confirming that contestability the lack of barriers to entry and exit determines effective competition. The author then analyses how competition policy in the financial sector has generally been conducted and how changes in competition in the financial services industries should affect competition policy going forward. In part based on comparison with other industries, the author provides some suggestions on how competition policy in the financial sector could be better approached as well as what institutional arrangements best fit a modern view of competition policy in the sector. The specific competition challenges for developing countries are also highlighted. The author concludes that practices today fall far short of the need for better competition policy in the financial sector.

Literature Review of Capital Budgeting Practices with Special Reference to Capital Intensive Industries of India

Abhishek Jha , Suneel Arora

The following literature review dealt with a review of past studies conducted on capital budgeting and its related aspects. Both foreign and Indian studies on capital budgeting were included as part of the study. The review tried to critically analyse each and every aspect of every individual study from methodology to statistical tools being applied and findings. An

attempt was made to find the relevant gaps in previous studies. It was identified by the review that non-sophisticated methods of capital budgeting and risk assessment are still being used, and this needs to be studied. Additionally, risk assessment methods were revealed to be not sophisticated, which can become part of a future study. This also included a method to adequately incorporate risk information in the capital budgeting process.

Working capital management practices in India: survey evidence

H. Kent Baker, Satish Kumar, Sisira Colombage, Harsh Partap Singh

Managerial Finance

The evidence shows that the majority (54.5 percent) of sample firms follow a moderate approach in financing their activities, which involves a trade-off between liquidity and profitability. Respondents tend to use an informal approach for WCM and consider receivables management as the most important component of WCM. In terms of WCM monitoring and financial measures, respondents mainly consider the cash conversion cycle and net working capital. Indian firms tend to use centralized cash management and rely heavily on material requirement planning (MRP) and enterprise resource planning (ERP) for proper inventory management.

1.2. METHODOLOGIES:

For the Primary Study of my topic 'Policy and Practices of Financial Management: With Special reference to Amri Hospitals, Bhubaneswar, the prefer methodology will be Descriptive analysis and Horizontal financial statement analysis. Bearing multiple variables and unending assumption from past financial information, the financial information collected both from primary and secondary sources. Methods of primary data collections are Interview and Discussions.

For the practical exposure and actual work done, Descriptive study is a simple yet effective method for everyone's ease of understanding.

1.6. DATA SOURCES

The data for the report were collected from;

1. Internal Sources; I.e. collected from within Organization.
2. External Sources; I.e. collected from outside of the organization.

Types of data used:

1. Primary Data; I.e. obtained first hand by the author.
2. Secondary Data; I.e. collected from pre-existed database.

1.7 DATA LIMITATIONS

- The data collected from various sources and all sources are impossible to verify.
- The organization didn't provide any accurate financial information, thus the analysis will have to use assumption and estimate.
- The company is not listed in share market, that's why the official annual report is not available in public forum.
- Certain financial information is historical and the actuals at present may vary.

CHAPTER 2

INDUSTRY OVERVIEW

The following chapter is made up of:

2.1. HEALTHCARE INDUSTRY IN INDIA

2.2. COMPANY PROFILE

2.3. COMPETITORS PROFILE

2.4. CUSTOMER PROFILE

2.5. SWOC ANALYSIS

2.6. FIVE FORCE ANALYSIS

2.1. Healthcare Industry in India

Healthcare market in India is expected to reach US\$ 372 billion by 2022, driven by rising income, better health awareness, lifestyle diseases and increasing access to insurance.

As of 2021, the Indian healthcare sector is one of India's largest employers as it employs a total of 4.7 million people.

In the Economic Survey of 2022, India's public expenditure on healthcare stood at 2.1% of GDP in 2021-22 against 1.8% in 2020-21.

Two vaccines (Bharat Biotech's Covaxin and Oxford-AstraZeneca's Covishield manufactured by SII) – were instrumental in medically safeguarding the Indian population against COVID-19.

Availability of a large pool of well-trained medical professionals in the country.

The number of allopathic doctors with recognised medical qualifications (under the I.M.C Act) registered with state medical councils/national medical council increased to 1.27 million in July 2021, from 0.83 million in 2010.

Availability of a large pool of well-trained medical professionals in the country.

The number of allopathic doctors with recognised medical qualifications (under the I.M.C Act) registered with state medical councils/national medical council increased to 1.27 million in July 2021, from 0.83 million in 2010.

2.2. COMPANY PROFILE



AMRI Hospitals Ltd (CIN: U85110WB1986PLC040525) is the premier private healthcare provider of Eastern India, with three super specialty hospitals at Dhakuria, Mukundapur, and Salt Lake, in Kolkata, a state-of-the-art day-care centre on Southern Avenue in Kolkata, and another super specialty hospital at Bhubaneswar, Odisha.

Highlights:

- 4.5 Lakhs patient treated per year.
- 1.5 Lakhs diagnostics per year.
- 5000+ Healthcare professional on board.
- 1000+ Procedures performed.

Board of Directors of the Company

Mr. Rupak Barua	Director and group CEO
Mr. Asish Goenka	Full time Director
Mr. Rajesh Pareek	Full time Director
Mr. Anil Kumar Alawat	Full time Director
Mr. Om Prakash Jhunjunwala	Independent Director
Ms. Karabi Sengupta	Independent Director

AMRI BHUBANESWAR

AMRI Hospitals Bhubaneswar, the largest healthcare service provider of Odisha, provides tertiary level clinical care, backed by a multidisciplinary team of medical fraternity with the finest state-of-art-technologies available in Eastern India. With its state-of-the-art equipment and modern facilities, AMRI is ensuring that people from Eastern India are provided affordable high quality medical care in the region, so that patients need not travel to other parts of the country for medical treatment.



The hospital boasts of internationally-acclaimed Physicians and Consultants, associated on full-time basis, ensuring highest standards of clinical services, backed by a dedicated and hardworking team of medical and paramedical staff, which is among the most in Eastern India.

AMRI Hospitals-Bhubaneswar received the prestigious NABH (National Accreditation Board for Hospitals & Healthcare Providers) Accreditation and ‘cGreen OT Certificate’ by Bureau Veritas & Abbott India Ltd., within couple of years of its opening. The accreditation is a testimony of commitment to provide

the best quality of healthcare to the people of Odisha, keeping in mind that patients are the biggest beneficiaries.

AMRI Hospitals-Bhubaneswar, a 400-bedded multi-speciality hospital has been providing round-the-clock clinical care, backed by multi-disciplinary team of medical experts with state-of-the-art facilities since 2014. AMRI Hospitals-Bhubaneswar has become a name to reckon with for providing high quality, technology-backed services at affordable rates.

At AMRI Hospital-Bhubaneswar, the emphasis is on providing services with a smile, ensuring true value for money and total patient satisfaction. The hospital has earned a reputation of being the most-trusted and best hospital for its excellent services with humane touch at affordable rates. AMRI Hospital-Bhubaneswar is focussed on keeping pace with latest technologies in the healthcare sector and international standards of clinical care, combined with highest levels of quality.

In continuation of its commitment to bring world-class healthcare to Odisha, AMRI Hospital-Bhubaneswar celebrates important days on health-related issues throughout the year, with an endeavour to create awareness about particular diseases among the people. Considered among the best neurology and cardiac care hospitals in Odisha, AMRI Hospital-Bhubaneswar has a number of Special Health Packages related to those specialties.

Besides having introduced many advanced technologies to the region, the hospital has been working on various healthcare awareness drives that has built a positive impact on the people of Odisha. In keeping with the spirit of the growing city of Bhubaneswar, Odisha's capital, AMRI Hospital is all poised to take lead in the healthcare scenario of the state in the years to come.

Vision:

Be cherished as the best place to come for care and the best place to work.

Mission:

- To provide healthcare services maintaining accountability in a responsible manner which contribute to the physical, psychological, social and spiritual wellbeing of the patients and community, which we serve.
- To participate in the creation of healthier lives within the community conforming to the requirements of our patients and customers round the clock and constantly measuring and striving to improve the outcomes of our care and service.
- To create and sustain a work environment in which all participants are empowered and committed to continual quality improvements; confirming the values of participation, acknowledgement, accountability, teamwork, integrity and respect.
- Create the national model of care through relentless pursuit of unparalleled quality & value to the entire satisfaction of patient, customer and staff.
- To carry on educational and research activities related to the provision of care to the sick and injured or related to the promotion of health and continually rethink, reshape and redefine solutions to healthcare challenges.

Quality Policy

- We at AMRI are committed to provide quality health care to our beneficiaries. We shall achieve this by:
- Identifying and meeting their needs and expectation. Complying with the benchmark of national and global level of practices through continual development, improvement and training.
- Remaining committed to ensure that a transparent quality system, as per the requirement of accreditation authority and appropriate to the purpose of the organization is understood and implemented at all levels.

Services offered:

General Services

- Anesthesiology
- Cardiothoracic & Vascular Surgery
- Clinical & Interventional Cardiology (Cathlab)
- Dentistry & Maxillofacial Surgery
- Dermatology
- Diabetology & Endocrinology
- ENT, Audiology & Speech Therapy
- General Medicine
- General & Laproscopic Surgery
- Medical Gastroenterology (Endoscopy)

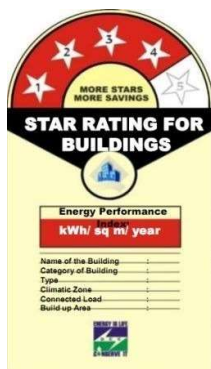
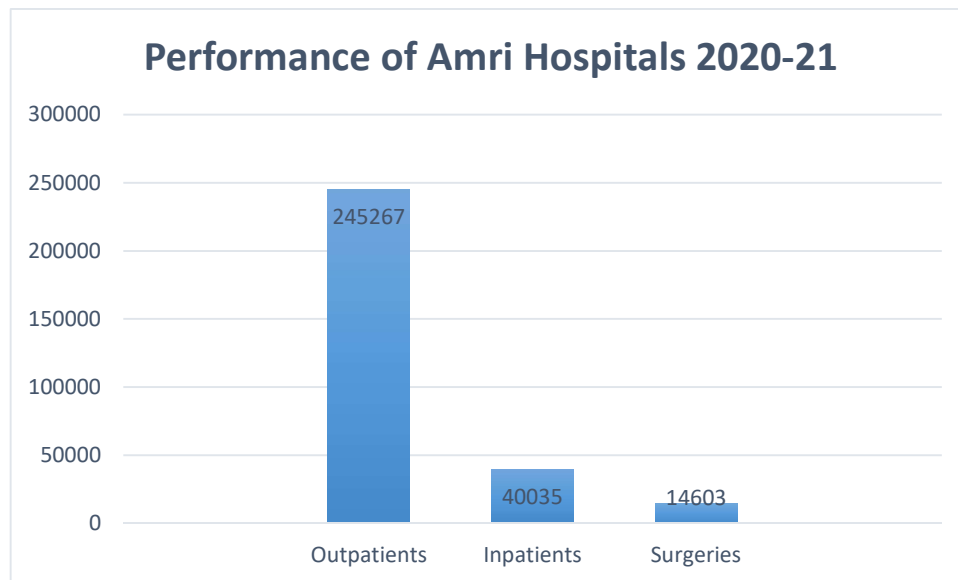
- Nephrology (Dialysis)
- Neurosurgery
- Neurology & Neurophysiology
- Nutrition & Dietetics
- Obstetrics & Gynaecology
- Ophthalmology & Corneal Transplant
- Kidney Transplant
- Orthopaedics & Joint Replacement Surgery
- Paediatric & Neonatology
- Paediatric Surgery
- Psychiatry (OPD)
- Sports & Rehabilitation Medicine
- Plastic, Reconstructive & Cosmetic Surgery
- Respiratory Medicine
- Surgical Oncology
- Surgical Gastroenterology
- Urology (Holmium Laser & Lithotripsy)

24X7 Services

- Blood Centre & Transfusion Medicine
- Emergency Medicine & Trauma Care
- Lab, Radiology & Imaging Services
- Pharmacy

Amri Hospital partners with Emami Frank Ross to supply patients with their medication needs. The pharmacy within Hospital is open 24 hours a day 7 days a week. It is located on the ground floor near the Emergency ward. The pharmacy

keeps in stock close to 8000 brand name and generic medications that can be administered intravenously or orally.



Awards & Recognition

2.3. Competitors Profile:

Amri is an amazing multi-speciality hospital however it is not alone in healthcare sector to achieve success. In Odisha, especially in Bhubaneswar, healthcare sector does not have a monopolistic market.

A few such notable organizations that we can assume competitors to Amri, Bhubaneswar are:



Top 4 Competitors of Amri Hospitals are described below:

Apollo Hospital:

This multi-super speciality, 350-bedded, NABH accredited Tertiary Care Hospital is spread over a campus of over 7 acres. Equipped with state-of-the-art technology and internationally acclaimed doctors in all specialities, the institute has become a major referral centre for the people of Odisha and the neighbouring states. This is further validated by the recent “Times of India All India Critical Care Hospital Ranking Survey” for 2017 wherein the hospital is ranked the No 1 hospital in Bhubaneswar in critical specialities like Cardio Sciences, Nephrology, Emergency & Trauma Care and Urology. The hospital today stands on the panel of various government institutions, PSUs, insurance and TPAs.

Sum Ultimate Medicare:

Sum ultimate Medicare is a one-stop, multi-super specialty quaternary care hospital committed to providing medical excellence across the spectrum of medical and surgical interventions, along with a comprehensive mix of follow-up services. The state-of-the-art healthcare facility provides an ecosystem of healing with high-quality care and integrates a wide spectrum of clinical education and research opportunities.

Kalinga Institute of Medical Sciences (KIMS)/ Pradyumna Bal Memorial Hospital (PBMH):

Kalinga Institute of Medical Sciences (KIMS) / Pradyumna Bal Memorial Hospital (PBMH) – Provides high-quality healthcare and medical treatment in a wide range of disciplines to people at an affordable cost. The hospital is spread over 60-acre of land with 30 lakh sq. ft. built-up area. It offers super specialty services with state of the art department for Nephrology, Cardiology & Cardiothoracic Surgery, Pediatrics Surgery, Gastroenterology, Medical

Oncology & Onco Surgery, Plastic & Cosmetic Surgery, Urology, Neurology & Neurosurgery, Endocrinology & Rheumatology, and others.

All India Institute of Medical Sciences (AIIMS), Bhubaneswar:

All India Institute of Medical Sciences, Bhubaneswar is one of the apex healthcare Institutes established by the Ministry of Health & Family Welfare, Government of India under the Pradhan Mantri Swasthya Suraksha Yojna (PMSSY). Under this scheme six new All India Institutes of Medical Sciences have been established at Patna, Raipur, Bhopal, Bhubaneswar, Jaipur and Rishikesh apart from the one at New Delhi.

2.3. Customer Analysis

Demographics of people visit AMRI:

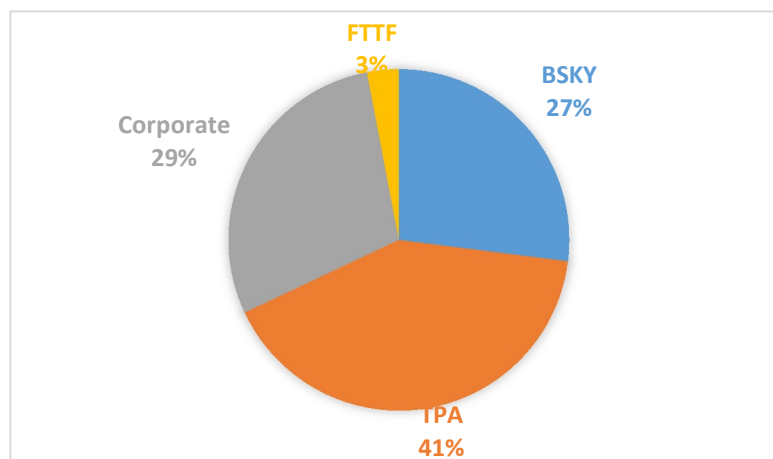
Age: N/A

Gender: N/A

Place: All over Odisha.

Income: Middle class, Upper middle class & Rich population

Customers according to the Healthcare Schemes:



2.4. SWOC ANALYSIS OF AMRI HOSPITALS

STRENGTHS	WEAKNESS
<ul style="list-style-type: none">• Specialized Treatment.• NABH Accredited.• Green OT accreditation.• Expert Medical Staffs.• Industry Standard Facility.• Tie ups with TPA, Corporate and Govt. for schemes like BSKY & FTTF.• Waiting Period for patients is comparatively less.	<ul style="list-style-type: none">• Unavailability of some Diagnostic Services.• Cost of treatment is high.• Lack in CSR activities.• Absence of Diagnostic branches and clinics across Odisha.• Tele-Medicine Services are not up to the mark.
OPPORTUNITIES	CHALLENGES
<ul style="list-style-type: none">• Digital Consultation Services could be a big addition to current line of work.• Development of channel of distribution.• New vertical, horizontal, or niche markets.	<ul style="list-style-type: none">• Well Reputed Competitors are in market.• Govt. Hospitals are levelling up in their services.• Not enough scope for expansion in Odisha.• New hospitals are entering with advanced healthcare technologies.

2.5. MICHAEL PORTOR'S FIVE FORCE ANALYSIS:

Porter Five Forces is a holistic strategy framework that took strategic decision away from just analysing the present competition. Porter Five Forces focuses on - how AMRI Hospital, can build a sustainable competitive advantage in Hospitals industry. Managers at AMRI Hospital can not only use Porter Five Forces to develop a strategic position with in Hospitals industry but also can explore profitable opportunities in whole Healthcare sector.

Force 1: Threats of New Entrants

New entrants in Hospitals brings innovation, new ways of doing things and put pressure on AMRI Hospital, through lower pricing strategy, reducing costs, and providing new value propositions to the customers. AMRI Hospital has to manage all these challenges and build effective barriers to safeguard its competitive edge.

How AMRI Hospital can tackle the Threats of New Entrants:

- By innovating new products and services. New products not only bring new customers to the fold but also give old customer a reason to buy AMRI Hospital's products.
 - By building economies of scale so that it can lower the fixed cost per unit.
 - Building capacities and spending money on research and development.
- New entrants are less likely to enter a dynamic industry where the established players such as AMRI Hospital keep defining the standards regularly. It significantly reduces the window of extraordinary profits for the new firms thus discourage new players in the industry.

Force 2: Bargaining Power of Suppliers

All most all the companies in the Hospitals industry buy their raw material from numerous suppliers. Suppliers in dominant position can decrease the margins AMRI Hospital, can earn in the market. Powerful suppliers in healthcare sector use their negotiating power to extract higher prices from the firms in Hospitals field. The overall impact of higher supplier bargaining power is that it lowers the overall profitability of Hospitals.

How AMRI Hospital, can tackle Bargaining Power of the Suppliers:

- By building efficient supply chain with multiple suppliers.
 - By experimenting with product designs using different materials so that if the prices go up of one raw material, then company can shift to another.
 - Developing dedicated suppliers whose business depends upon the firm.
- One of the lessons AMRI Hospital, can learn from Wal-Mart and Nike is how these companies developed third party manufacturers whose business solely depends on them thus creating a scenario where these third-party manufacturers have significantly less bargaining power compare to Wal-Mart and Nike.

Force 3: Bargaining Power of Buyers

Buyers are often a demanding lot. They want to buy the best offerings available by paying the minimum price as possible. This put pressure on Amri Hospitals, profitability in the long run. The smaller and more powerful the customer base is of Amri Hospitals, the higher the bargaining power of the customers and higher their ability to seek increasing discounts and offers.

How Amri Hospitals, can tackle the Bargaining Power of Buyers:

- By building a large base of customers. This will be helpful in two ways. It will reduce the bargaining power of the buyers plus it will provide an opportunity to the firm to streamline its sales and production process.
- By rapidly innovating new products. Customers often seek discounts and offerings on established products so if Amri Hospitals, keep on coming up with new products then it can limit the bargaining power of buyers.
- New products will also reduce the defection of existing customers of Amri Hospitals, to its competitors.

Force 4: Threats of Substitute Products or Services

When a new product or service meets a similar customer need in different ways, industry profitability suffers. For example, services like Dropbox and Google Drive are substitute to storage hardware drives. The threat of a substitute product or service is high if it offers a value proposition that is uniquely different from present offerings of the industry.

How Amri Hospitals, can tackle the Treat of Substitute Products / Services

- By being service oriented rather than just product oriented.
- By understanding the core need of the customer rather than what the customer is buying.
- By increasing the switching cost for the customers.

Force 5: Rivalry among the Existing Competitors

If the rivalry among the existing players in an industry is intense then it will drive down prices and decrease the overall profitability of the industry. Amri Hospitals, operates in a very competitive Hospitals industry. This competition does take toll on the overall long-term profitability of the organization.

How Amri Hospitals, can tackle Intense Rivalry among the Existing Competitors in Hospitals industry:

- By building a sustainable differentiation
- By building scale so that it can compete better
- Collaborating with competitors to increase the market size rather than just competing for small market.

Implications of Porter Five Forces on Amri Hospital:

By analysing all the five competitive forces Amri Hospitals, strategists can gain a complete picture of what impacts the profitability of the organization in Hospitals industry. They can identify game changing trends early on and can swiftly respond to exploit the emerging opportunity. By understanding the Porter Five Forces in great detail Amri Hospital's managers can shape those forces in their favour.

CHAPTER 3

PRIMARY STUDY

Policy and Practices of Financial Management:

With special reference to



ABSTRACT

The study will cover financial policies and financial practices of Amri Hospitals, Bhubaneswar and the variance analysis with industry standard financial policy & practices.

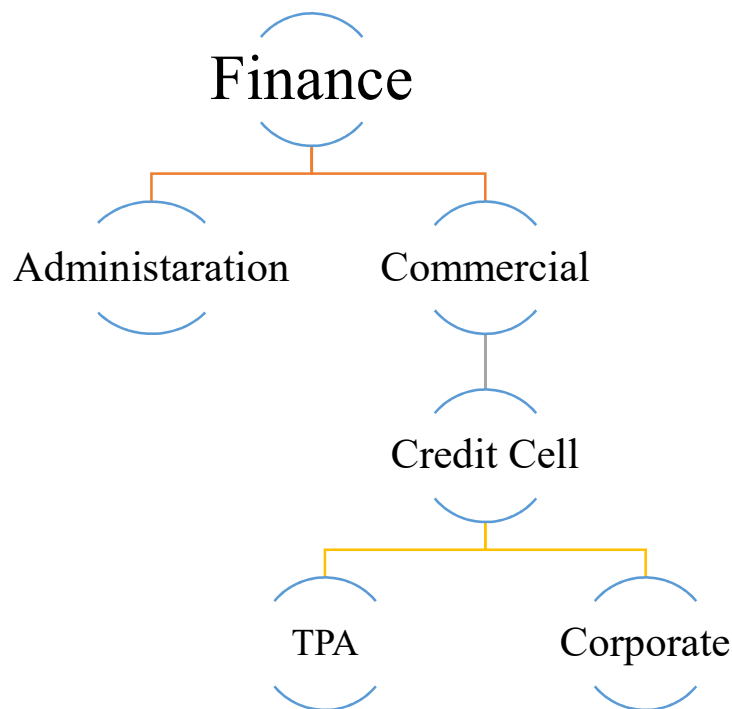
Contents of the Study are;

- 3.1. Departmental structure
- 3.2. Summary of work exposure
- 3.3. Revenue and Expenses
- 3.4. Financial Statement & Ratio Analysis
- 3.5. Financial policy of Amri Hospitals
- 3.6. Financial practices of Amri Hospitals
- 3.7. GAAP and industry standard financial policy and practices

(P.s. The Financial figure amounts are in lakhs, unless not specified)

3.1. Finance Department of Amri Hospitals, Bhubaneswar

The Finance department of Amri Hospital has the following structure:



During my training period I was assigned to three major functional units of finance department i.e;

1. TPA cell
2. Administration
3. Corporate cell

TPA and Corporate department being a part of Credit Cell which falls under Commercial department of Amri Hospitals.

Third Party Administration (TPA)

A third-party administrator is a company that provides operational services such as claims processing and employee benefits management under contract to another company. Insurance companies and self-insured companies often outsource their claims processing to third parties. Thus, such companies are often called third-party claims administrators.

The use of third-party administrators is now common in many businesses, and the range of tasks they undertake is growing. They have distinct roles in the health insurance industry, commercial liability insurance, and investment company operations. Some firms are moving into new areas such as forensic accounting services, workers' compensation audits, and emergency response planning.

Corporate

Government and non-government organizations provide their employees and their family members with health insurance covers as part of their organization's policy.

Corporate department takes care of all those insurance and claim settlement.

Administrative Finance

Administrative Finance department handles very important units of overall hospital finances of Amri like;

1. Receivables
2. Payables
3. Payroll
4. Taxation
5. Auditing
6. Budgeting
7. Legal expenses

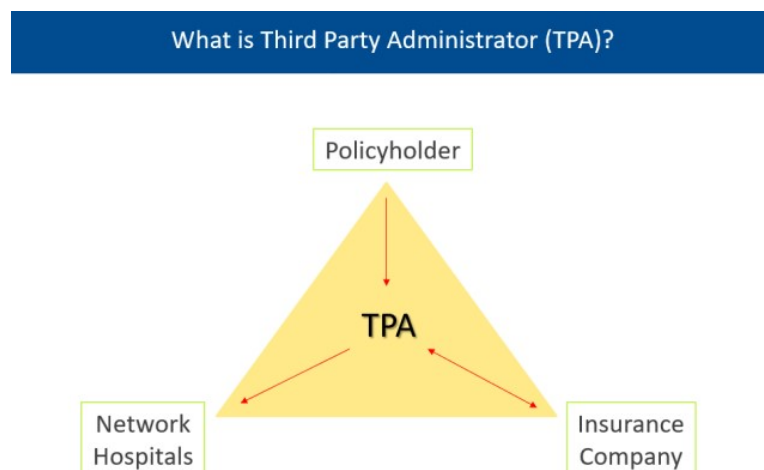
For better understand the topic we have to look on the revenue sources, breakdown of revenue and expenses, Profit centres, cost centres, cost allocation. Etc...

3.2. Summary of work exposure

During the duration of training of 45 days I was assigned to above mentioned three functional unit of Amri Hospitals finance department. The objective was to spend 15 days each in a department and learn their works.

Phase 1 (April 15 – April 29)

My first 15 days I spent in TPA where I learned about various third party administrations that are tied up with Amri Hospitals. The primary job was to process the Insurance claim with associate TPAs.



Steps of claim processing in TPA:

1. Authorization letter of TPA
2. Document Verification of Inpatients
3. Sorting and Scrutiny
4. Scan and Upload the documents in Claim issue site.
5. Dispatch of Physical documents
6. Query raised by TPA companies
7. Settlement
8. Adjustments

9. Disallowance

10. MIS

TPAs Associated With Amri Hospitals:

United Health Care Parekh Insurance TPA Private Limited	Medi Assist Insurance TPA Private Limited
MD India Health Insurance TPA Private Limited	Paramount Health Services & Insurance TPA Private Limited
Heritage Health Insurance TPA Private Limited	Family Health Plan Insurance TPA
Raksha Health Insurance TPA Private Limited	Vidal Health Insurance TPA Private Limited
East West Assist Insurance TPA Private Limited	Medsave Health Insurance TPA Limited
Genins India Insurance TPA Limited	Health India Insurance TPA Services Private Limited
Good Health Insurance TPA Limited	Vipul Medcorp Insurance TPA Private Limited
Park Medi claim Insurance TPA Private Limited	Safeway Insurance TPA Private Limited
Anmol Medicare Insurance TPA Limited	Rothshield Insurance TPA Limited
Ericson Insurance TPA Private Limited	Health Insurance TPA of India Limited

Phase 2 (April 30 – May 14)

The second phase of 15 days I was allotted to Administrative Finance department. I learned about Receivables, Payables, GRN, Salaries, Sundry expenses, Corporate taxations, GST, Legal and Budgeting. I worked on cash scrolls and their entry on SAP and GRN filing.

Cash Scrolls:

Cash scrolls are the summary of payment received in cash and cash equivalents.

For example: Cash, Debit card, Credit card, UPI etc...

My responsibility was to tally the received amount with their receipts through their unique TID number. Then those TIDs get uploaded to SAP for evaluation with bank statement.

GRN (Goods Receipt Note):

Goods received note is a document that acknowledges the delivery of goods to a customer by a supplier. A GRN consists of a record of goods that the buyer has received. This record helps the customer compare the goods delivered against the goods ordered.

When the buyer receives the goods, the store's department will inspect them against the purchase order and examine their physical condition. Once they ascertain that all goods are received in perfect physical condition, the department issues the GRN. In cases where the goods received do not match the specifications of the purchase order, the buyer may reject these goods. The buyer issues the GRN only for approved goods and executes a fresh purchase order for the rejected batch.

The responsibility of issuing GRN is on the store's department. It is prepared in several copies, each for the supplier, procurement department, accounts department, and store's department retention.

Goods requisition process:

1. Investigation of required goods.
2. Enquiry sent to vendors
3. Quotation received.
4. Approval of management regarding purchase of goods.
5. Purchase order sent.
6. Goods received with receipt/challan, in case of goods ordered worth more than Rs. 50,000 an E-way bill also attached by vendor.

Central Store's entry for goods received;

Stocks A/C Debited

To Goods Inward A/C

GRN department's entry:

Goods Inward A/C Debited

To Vendors A/c

Credit Note:

A credit note is a document issued by a seller to a buyer to notify that credit is being applied to their account.

Table 3.1: Cash & Bank balance of Amri Hospitals as on 31st march 2021

Cash in hand	61.02
Current accounts	405.91
Fixed deposits maturity for less than 3 months	11.83
Fixed deposits maturity for more than 3 months but less than 12 months	823.26

Table 3.2: Loans

Charge ID	Amount	Holder	Date
100454631	INR 48.00 cr	YES BANK LIMITED	22 March, 2021
100114236	INR 160.00 cr	RBL BANK LIMITED	23 June, 2017
10578068	INR 214.30 cr	Allahabad Bank	28 June, 2016
10621088	INR 147.00 cr	IL & FS TRUST COMPANY LIMITED	20 November, 2015

Table 3.3: Other Financial Liabilities

Current Maturities of Long-Term Borrowings	18,603.10
Interest Accrued and Due on Borrowings	4,738.64
Employee Benefit	1,485.56
Lease Liability	248.18
Creditors for Capital Goods	675.68

Phase 3 (May16 –May30)

The third phrase of training I spent with corporate department of Credit Cell. The Primary responsibilities of corporate department was to deal with insurance claims from employees of different corporations.

Table 3.4: Corporate tie ups of Amri Hospitals

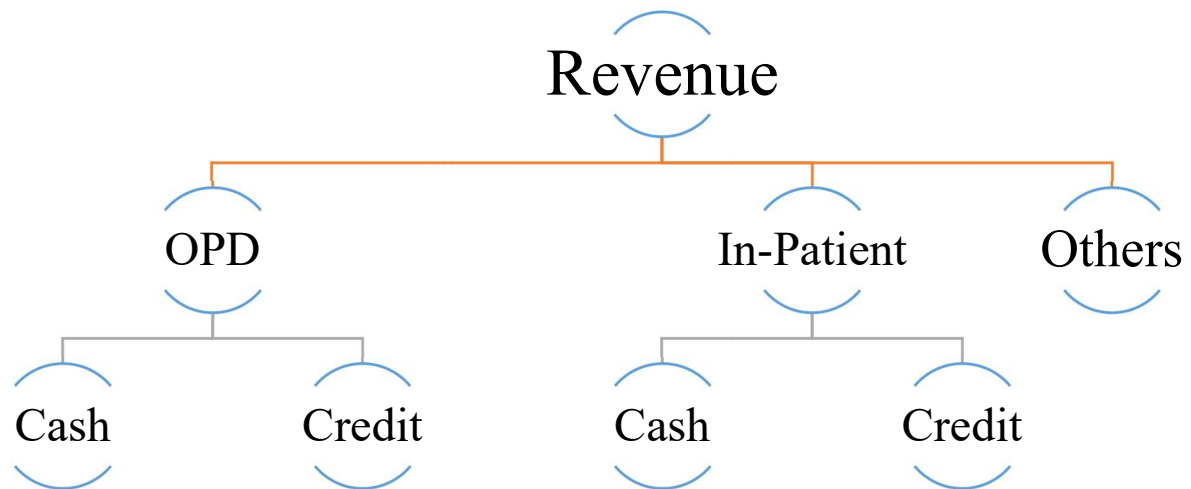
PSU Corporate	
Indian Oil Corporation Limited	ONGC
NTPC Ltd	SBI
RBI	SAIL
CESC Limited	Air India
Airport Authority of India	Government of Mizoram
WBSEDCL	WBSETCL
Coal India Limited	Eastern Coalfields Ltd
South Eastern Coalfields Ltd	Bharat Cooking Coal Limited
Bharat Petroleum Corporation Limited	Central Glass & Ceramic Research Institute (CGCRI)
Eastern Railway	South Eastern Railway
Government of Jharkhand	Confederation of Indian Industry(CII)
Balmer Lawrie & Co	DVC
Garden Reach Shipbuilders & Engineers Ltd	HAL
Hindustan Copper Ltd	Hindustan Petroleum Corporation Ltd
Hindustan Unilever Ltd (HUL)	IDBI Bank
IIT Kharagpur	ITC
Kolkata Port Trust	MSTC Ltd
Nestle India Limited	NHPC
Oil India Ltd	Power Grid Corporation
TATA Communications Ltd	TATA Motors Ltd
TATA Steel Ltd.	Unit Trust of India
VECC	Haldia Dock Complex
Usha Martin	West Bengal Health Scheme (WBHS)
West Bengal Power Development Corporation Limited (WBPDCCL)	ESIC

The corporate department also takes care of all government schemes of Odisha like, BSKY and FTTF.

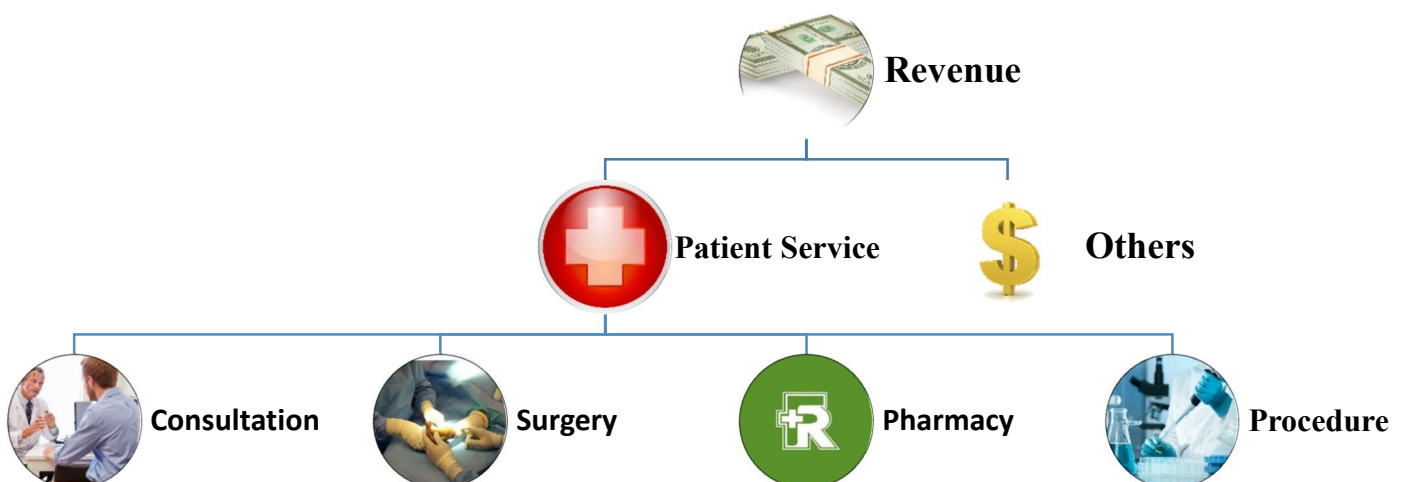
The process of claim management of corporate is almost similar like TPAs except corporate uses referral letter in place of authorization letter.

3.3. Revenue & Expenses Breakdown

Revenue Breakdown:



Being a service-based industry almost 90% of all revenues comes from patient service. The further breakdown from patient services are as follows



The Other revenue sources are as followings:

1. Rent received from towers installed.
2. Rent received from ATM.
3. Food Court
4. Food & Beverages

Expenses Breakdown:

Expenses of Amri Hospitals can be categorized into two types

1. Direct expenses
2. Indirect expenses

Direct Expenses;

These are the expenses that are directly attributable to patient care.

Examples of direct expenses include:

1. Doctors' Fees
2. Nursing services
3. Pharmacy
4. Medical supplies
5. Diagnostic imaging
6. Rehabilitation and food services.

Indirect expenses:

These are the expenses that are not directly related to patient care.

Examples of indirect costs include:

1. General administration
2. Health records
3. Information technology

4. Physical Plant and Maintenance
5. Human resources
6. Volunteer services
7. Contingent expenses
8. Capital expenses and other regional services.

Auditors:

At the Annual General Meeting held on 30.09.2019, M/s. Agrawal Tandon & Co., (formerly known as Agrawal Sanjay & Co.), Chartered Accountants, (Firm Registration: 329088E), were appointed as Statutory Auditors of the Company to hold office till the conclusion of Annual General Meeting to be held in the year 2022.

Cost Auditor:

M/s B G Chowdhury & Co, Cost Accountant was appointed as Cost auditor by the Board of Directors at its meeting held on 30th June, 2020 to audit the cost accounting records, as may be applicable to the Company for the financial year 2020-2021.

Internal Auditor:

Your Company's Internal Auditor, Ernst & Young LLP was appointed by the Board of Directors at its meeting held on 30th June, 2020 to act as the Internal Auditor of the Company under Section 138 of the Companies Act, 2013.

3.4. Financial Statements & Ratios of Amri Hospitals

Table 3.4: Balance Sheet of Amri Hospitals Ltd. As of 31st March 2021

As on (units in INR)	31 March, 2021	31 March, 2020
<u>Equity & Liabilities</u>		
Equity share capital	68,78,24,000	68,78,24,000
Other equity	-2,77,29,44,000	-1,67,41,69,000
<u>Non-current liabilities</u>		
Financial liabilities		
Borrowings	9,19,69,62,000	9,41,36,28,000
Trade payables	0	0
Other financial liabilities	29,00,000	28,76,000
Provisions	9,79,11,000	9,81,94,000
Deferred tax liabilities (net)	0	0
Other liabilities	0	0
<u>Current liabilities</u>		
Financial liabilities		
Borrowings	4,78,47,27,000	1,28,58,50,000
Trade payables	1,11,08,41,000	3,30,82,88,000
Other financial liabilities	2,57,51,16,000	2,87,19,13,000
Provisions	90,55,000	28,43,000
Current tax liabilities (net)	0	0
Other liabilities	10,11,44,000	9,86,92,000
Liabilities associated with assets in disposal group	0	0
Regulatory deferral account credit balances		
Total liabilities	17,87,86,56,000	17,08,22,84,000
Total equity and liabilities	15,79,35,36,000	16,09,59,39,000
<u>Assets</u>		
Non-current assets		
Property plant and equipment	9,80,90,63,000	10,14,09,29,000

Capital work in progress	1,61,94,79,000	1,31,08,39,000
Investment property	0	0
Goodwill	0	0
Intangible assets	2,16,81,000	2,48,52,000
Intangible assets under development	0	0
Financial assets		
Investments	2,00,000	2,00,000
Trade receivables	0	0
Loans	6,87,60,000	5,69,24,000
Other financial assets	7,63,07,000	74,87,000
Deferred tax assets (net)	2,83,61,32,000	2,52,26,19,000
Other assets	3,82,22,000	4,76,03,000
<u>Current assets</u>		
Inventories	15,24,07,000	16,09,30,000
Financial assets		
Investments	0	0
Trade receivables	80,39,95,000	93,90,24,000
Cash and cash equivalents	4,78,77,000	6,57,75,000
Other bank balances with banks	8,23,26,000	10,10,69,000
Loans	13,53,000	69,88,000
Other financial assets	10,04,78,000	6,39,16,000
Current tax assets	11,95,82,000	63,07,04,000
Other assets	1,56,74,000	1,60,80,000
Noncurrent assets held for sale	0	0
Regulatory deferral account debit balances		
Total assets	15,79,35,36,000	16,09,59,39,000

Table 3.5: Profit and Loss A/C of Amri Hospitals Ltd. As of 31st March 2021

As on (units in INR)	31 March, 2021	31 March, 2020
Continuing Operations		
Revenue from operations	6,05,88,95,000	6,43,72,42,000
Other income	11,04,98,000	12,67,51,000
Total revenue	6,16,93,93,000	6,56,39,93,000
Cost of materials consumed	0	0
Purchases of stock in trade	0	0
Changes in inventory	0	0
Employee benefit expenses	1,12,22,90,000	1,19,89,66,000
Finance costs	1,56,97,34,000	1,71,62,06,000
Depreciation and amortization	48,71,72,000	46,50,30,000
Other expenses	4,22,02,28,000	4,67,93,40,000
Total expenses	7,39,94,24,000	8,05,95,42,000
Profit before exceptional items and tax	-1,23,00,31,000	-1,49,55,49,000
Exceptional items before tax	0	0
Profit before tax	-1,23,00,31,000	-1,49,55,49,000
Current tax expense	0	0
Deferred tax expense	-31,32,95,000	-50,88,60,000
Net movement in regulatory deferral account balances	0	0
Profit / loss from continuing operations	-91,67,36,000	-98,66,89,000
Profit / loss from discontinuing operations (after tax)	0	0
Net profit/loss after tax	-91,67,36,000	-98,66,89,000
Other comprehensive income	-18,20,38,000	-56,63,000
Total comprehensive income / losses for the year	-1,09,87,74,000	-99,23,52,000

Table 3.6.**[320000] Cash flow statement, indirect**

Unless otherwise specified, all monetary values are in Lakhs

	01/04/2020 to 31/03/2021	01/04/2019 to 31/03/2020
Statement of cash flows [Abstract]		
Whether cash flow statement is applicable on company	Yes	Yes
Cash flows from used in operating activities [Abstract]		
Profit before tax	-12,300.31	-14,955.49
Adjustments for reconcile profit (loss) [Abstract]		
Adjustments for decrease (increase) in inventories	85.23	-64.19
Adjustments for decrease (increase) in trade receivables, current	893.71	1,968.06
Adjustments for increase (decrease) in other current liabilities	-20,585.21	21,480.05
Adjustments for depreciation and amortisation expense	4,871.72	4,650.3
Adjustments for provisions, current	59.3	340.12
Other adjustments to reconcile profit (loss)	0	0
Other adjustments for non-cash items	6.98	0
Total adjustments for reconcile profit (loss)	-14,668.27	28,374.34
Net cash flows from (used in) operations	-26,968.58	13,418.85
Interest paid	15,697.34	17,162.07
Interest received	72.18	88.24
Income taxes paid (refund)	5,111.22	884.46
Other inflows (outflows) of cash	0	0
Net cash flows from (used in) operating activities	-47,704.96	-4,539.44
Cash flows from used in investing activities [Abstract]		
Purchase of property, plant and equipment	(A) 6,423.36	(B) 7,958.31
Proceeds from sales of other long-term assets	0	0
Interest received	72.18	88.24
Net cash flows from (used in) investing activities	-6,351.18	-7,870.07
Cash flows from used in financing activities [Abstract]		
Proceeds from changes in ownership interests in subsidiaries	0	0
Proceeds from borrowings	29,883.65	-8,555.04
Interest paid	17,465.29	12,764.89
Net cash flows from (used in) financing activities	12,418.36	-21,319.93
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	-41,637.78	-33,729.44
Effect of exchange rate changes on cash and cash equivalents [Abstract]		
Effect of exchange rate changes on cash and cash equivalents	41,458.8	34,065.35
Net increase (decrease) in cash and cash equivalents	-178.98	335.91
Cash and cash equivalents cash flow statement at end of period	478.77	657.75

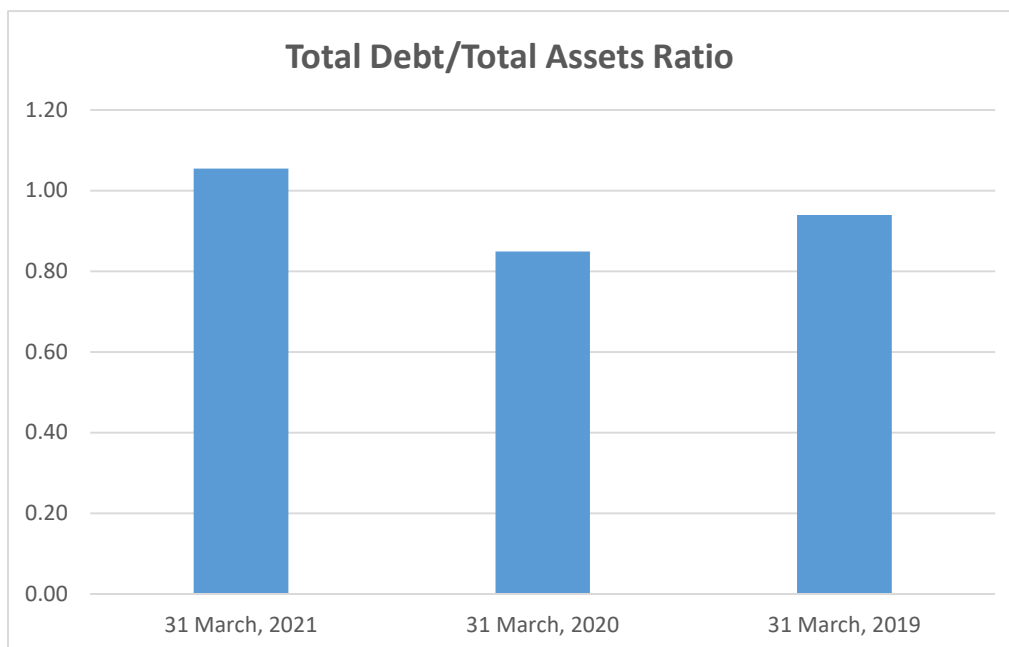
Footnotes

(A) Purchase of Fixed assets/CWIP

(B) Purchase of Fixed assets/CWIP

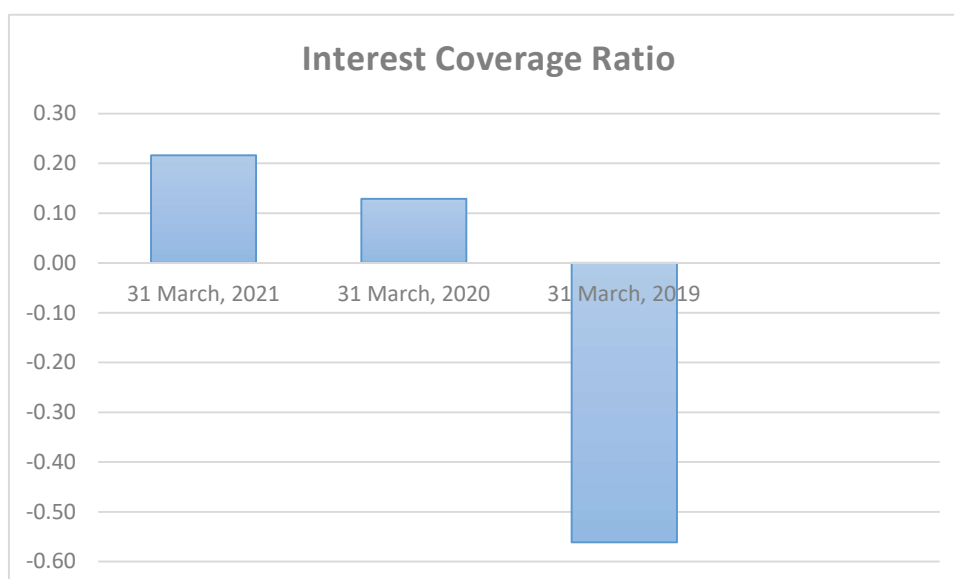
Financial Ratios of Amri Hospitals Ltd.

Leverage Ratios:



Formula = Total Debt/Total Asset

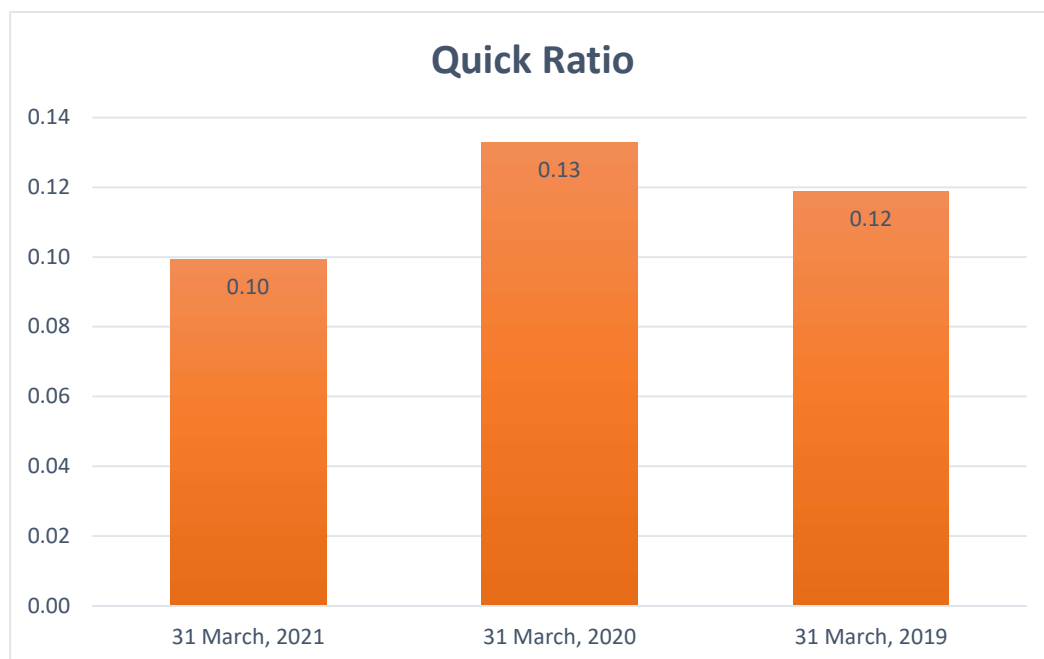
A debt-to-equity or debt-to-assets ratio below 1.0 would be seen as relatively safe, whereas ratios of 2.0 or higher would be considered risky. Some industries, such as banking, are known for having much higher debt-to-equity ratios than others.



Formula = EBIT/Total amount of interest expenses on all of the company's outstanding Debts.

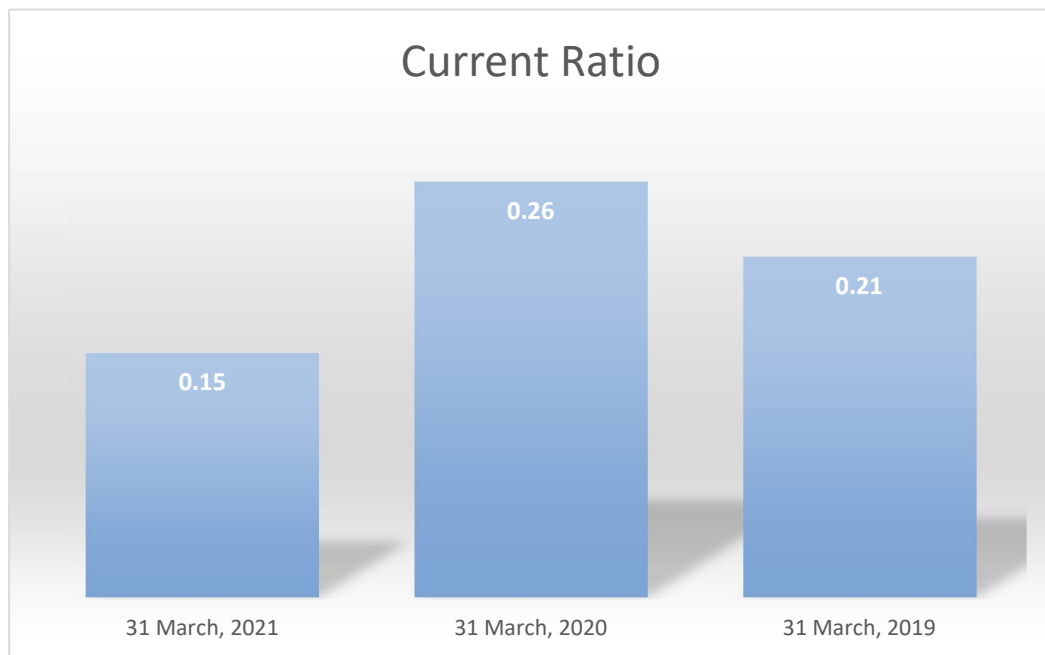
Generally, an interest coverage ratio of at least two (2) is considered the minimum acceptable amount for a company that has solid, consistent revenues. Analysts prefer to see a coverage ratio of three (3) or better.

Liquidity Ratio



Formula = (Current Asset-Inventory)/ Current Liabilities

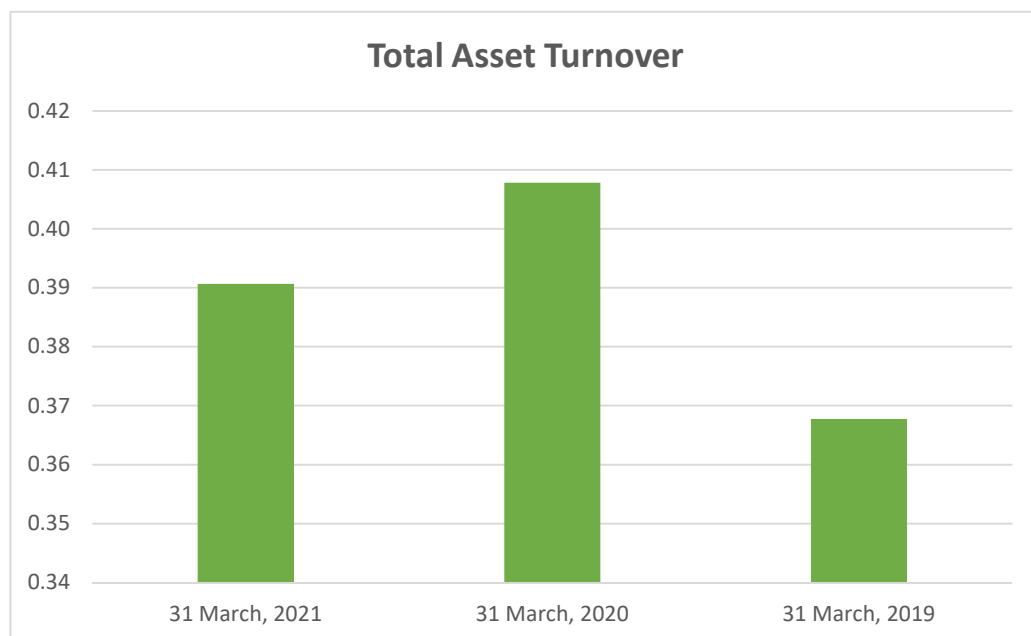
A result of 1 is considered to be the normal quick ratio. It indicates that the company is fully equipped with exactly enough assets to be instantly liquidated to pay off its current liabilities.



Formula= Current Asset/Current Liabilities

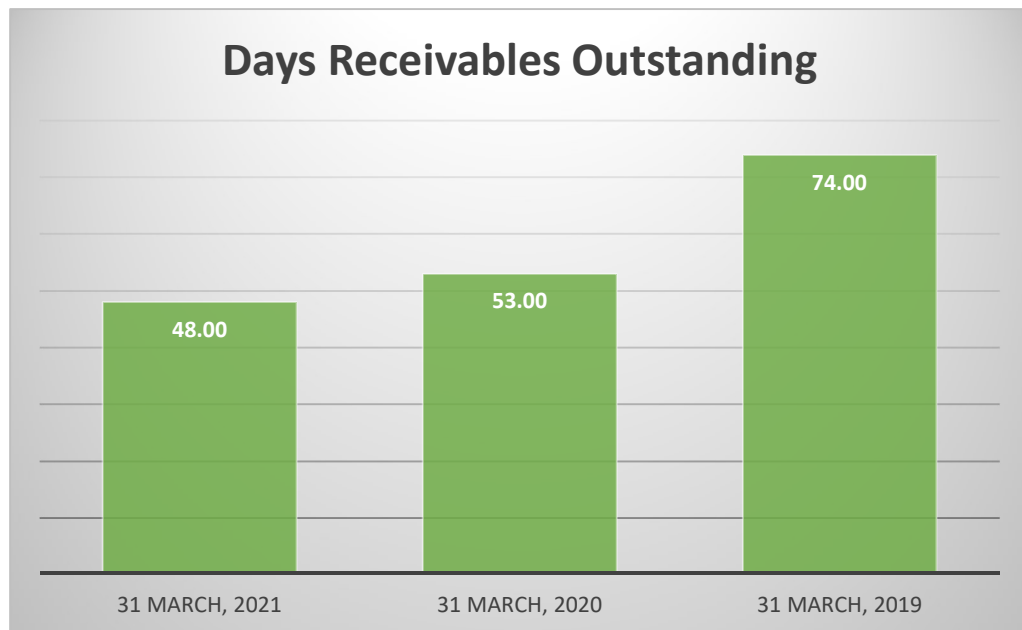
A good current ratio is typically considered to be anywhere between 1.5 and 3.

Performance Ratio:

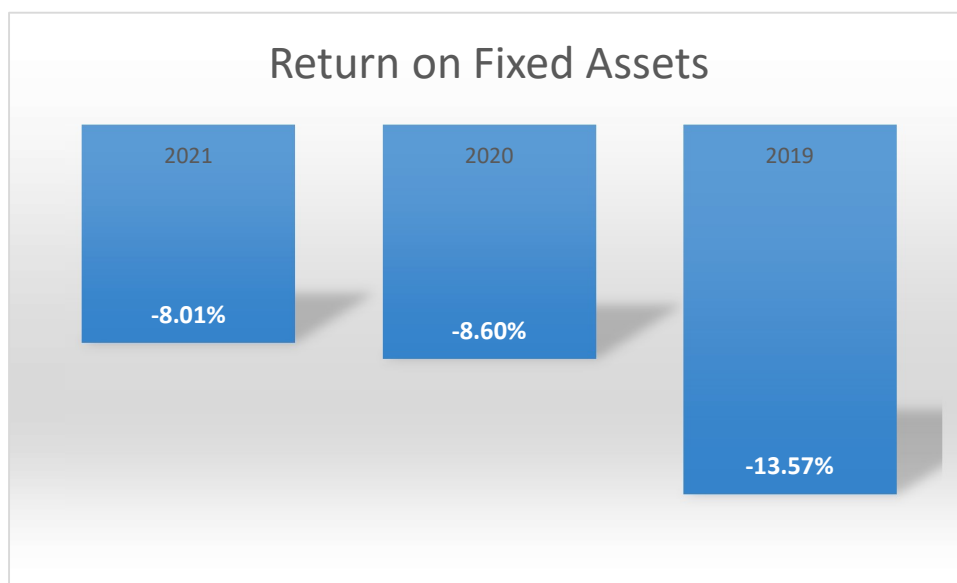


Formula = Revenue/Average total Asset

In a company in the utilities sector is more likely to aim for an asset turnover ratio that's between 0.25 and 0.5.



Formula = (Average A/C Receivable/Revenue) x 365



Formula= Current Operational Income/ Investment cost

A ROA of **over 5%** is generally considered good and over 20% is considered to be excellent.

3.5. Financial Policies followed by Amri Hospitals, Bhubaneswar

Below is the list of financial policies developed and maintained by the Financial Department.

- Accepting Credit Card Payments
- Accounting for Leases
- Bank Accounts
- Business Expense Reimbursements Policy
- Commitments and Contingencies
- Expense Recognition
- Financial Management of Property, Plant and Equipment (Capital Assets and Equipment)
- Financial Systems Access
- Fraud Awareness and Reporting
- Gifts and Celebratory Events for Employees
- Internal Billing Transactions
- Cost Allocation
- Petty Cash
- Procurement
- Reserves for Bad Debt
- Restricted Fund Spending Compliance
- Revenue Recognition
- Short-Term Operating Advances
- Software Accounting Policy (previously Accounting for Internally-Developed Software)
- Staff Mobile Phone Policy
- Time Entry and Approval for Non-exempt Employees
- Travel Policy

- Disclosure of statement on development and implementation of risk management policy

Financial Management Policies of Amri Hospitals

- Equity Policy

Currently Emami Group owns 98% of equity in Amri Hospitals and the rest 2% is with Govt. of West Bengal. The promoters have been trying to sell Amri business since 2018 to focus on their Flagship FMCG business. However since the establishment the Promoters have not diluted the shares to raise funds that is a reason why Amri is a burden on Emami Group.

- Leases:

Lease liability on account of IND AS 116

Particulars	31st March 2021		31st March 2020	
	Non Current	Current	Non Current	Current
	858.49	248.18	1053.04	273.71

The Company has made use of the following practical expedients as permitted by the standard:

- Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment,
- Excluded the initial direct costs from measurement of the RoU Assets
- Not to recognize RoU assets and lease liabilities for leases with remaining lease term less than twelve months as at 1st April 2020.
- (i) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
 - (ii) The weighted average of discount rate applied to lease liabilities is 10.5%.

- **Adequacy of internal financial controls**

The company is maintaining adequate internal financial control in line with the business and size of the company.

- **Dividend Decision:**

In view of loss incurred by the Company, Directors have not recommended any dividend for the year.

- **Expansion plan**

a) The work at Mukundapur unit is completed and started operating 130 beds from April 2021.

b) Operation at Hospital building located at 15 No Panchanantala Road has been restarted in the month of April 2021 with 50 beds.

C) However no expansion plans for Bhubaneswar unit.

3.6. Financial practices of Amri Hospitals

- Being a non-listed company, Amri Hospitals discloses its financial data within the management level.
- All the annual report being submitted to the Ministry of Corporate affairs.
- The Hospitals uses SAP for financial recording and Microsoft Excel for trackers and support to financial models.
- Amri follows digitized voucher and journal keeping.
- Any maintenance cost beyond 5000 rupees is capitalized.
- Amri hospital's financial books includes, Balance sheet, Income statement, cash flow statement and Profit and loss A/C.

- The Hospital reviews financial controls using tools like ratio analysis, forecasting, cost and profit control, etc.
- Performs a short-term and long-term debt equity analysis.
- Contributes towards PF, ESI and Gratuity of eligible employees.
- The Hospital maintains a 30-45 days of credit period with vendors.
- Follows the Indian accounting standards and GAAP.

3.7. GAAP & Industry Standard Practices

Generally accepted accounting principles, or GAAP, are standards that encompass the details, complexities, and legalities of business and corporate accounting. The Financial Accounting Standards Board (FASB) uses GAAP as the foundation for its comprehensive set of approved accounting methods and practices.

GAAP incorporates the following 10 concepts:

- Principle of Regularity: GAAP-compliant accountants strictly adhere to established rules and regulations.
- Principle of Consistency: Consistent standards are applied throughout the financial reporting process.
- Principle of Sincerity: GAAP-compliant accountants are committed to accuracy and impartiality.
- Principle of Permanence of Methods: Consistent procedures are used in the preparation of all financial reports.
- Principle of Non-Compensation: All aspects of an organization's performance, whether positive or negative, are fully reported with no prospect of debt compensation.
- Principle of Prudence: Speculation does not influence the reporting of financial data.

- **Principle of Continuity:** Asset valuations assume the organization's operations will continue.
- **Principle of Periodicity:** Reporting of revenues is divided by standard accounting periods, such as fiscal quarters or fiscal years.
- **Principle of Materiality:** Financial reports fully disclose the organization's monetary situation.
- **Principle of Utmost Good Faith:** All involved parties are assumed to be acting honestly.

Industry Standard Practices

Integrating six pillars of accounting

The profession of accounting is highly complex and not likely to be understood completely by clinicians. However, healthcare leaders will benefit from an understanding of six pillars that serve as a foundation for the discipline.

1. **Matching principle:** All expenses are matched with the revenues they helped earn in the same accounting period so that profitability is accurately summarized.
2. **Objectivity:** Being as unbiased as possible so that the user interprets the information with a high level of credibility.
3. **Conservatism:** Being prudent, so that the likelihood of unfavourable variances is minimized.
4. **Materiality:** An accounting standard should be applied considering the extent of impact on the organization.
5. **Full disclosure:** All information that would provide an accurate assessment of the financial statements have been reported so that informed decisions are optimized and possible conflicts of interest are identified.

6. **Consistency principle:** Accounting and financial calculations are consistent from one accounting period to the next.

Generally accepted accounting principles (GAAP) are the accounting standard for most hospitals and most public companies and non-profit companies. GAAP is a set of accounting rules that ensures income statements, balance sheets, and other financial reports are consistent from company to company.

GAAP has general principles that apply to all companies, industry-specific standards such as for healthcare, and additional standards for non-profits.

Multiple payment options

One obvious option for a healthcare organization is accepting payments through an online web portal that accepts debit or credit card payments. This ensures fast payment and removes the worry of safeguarding patient data. The web portal is branded with the organization's name and logo so the patient feels comfortable with paying the bill directly to the facility. Patients can even use their mobile phones for reminder texts and to pay bills.

Encourage advance payment

Encouraging patients to pay for procedures in advance through pre-funded accounts allows them to plan for payment effectively. This is precisely the sort of customer service that takes the stress out of the payment process for the patient.

Keep billing costs low

The growing impact of bad debt on the bottom line of healthcare organizations means there is a greater requirement to reduce the cost of servicing payments.

This can be difficult for those providers who do not embrace new technology and who still rely on the costly process of mailing out invoices and account statements or accepting payments in the traditional way via checks or bank transactions.

By moving to a paperless mode of billing and payments, healthcare organizations can save up to 60 % to 90 % of their paper and postage costs and achieve a 30 percent reduction in Days Sales Outstanding. And this doesn't begin to take into account the environmental benefits.

CHAPTER 4

FINDINGS, SUGGESTION AND CONCLUSION

FINDINGS, SUGGESTION & CONCLUSION

Finding 1: Operational Financial Efficiency of Amri Hospitals is Stunted

Finance and accounting professionals are relatively scarce in healthcare organizations, making up barely 1.5 of every 100 employees per facility. Yet our research shows that more finance and accounting professionals are being recruited to help improve the control and management of these organizations. The current lack of finance and accounting professionals could be one reason why the industry's annual cost increases are nearly double those of traditional goods and services.

Finding 2: Finance Executives Are Becoming More Strategic

Finance executives face a considerable challenge in the healthcare industry because of growing pressures to improve quality and efficiency simultaneously. Government regulations will encourage the greater visibility of these professionals to translate into better performance, prices, and outcomes. Finance and accounting executives will be tapped to implement information and management systems to ensure that these positive changes occur. Similarly, I found that the role of the CFO is changing. Historically, finance professionals in this industry have remained fairly focused on traditional functions, such as managing accounts receivable, negotiating reimbursement rates, budgeting, and overseeing debt policies. Now, senior-level accounting and finance officers are starting to get involved in a variety of functions that typically are outside the scope of finance, including strategic planning and project management tasks. As capacity and productivity grow in importance with new health reform legislation, this expansion of involvement in non-traditional finance roles likely will continue.

Finding 3: Greater Focus on Internal Controls

The sheer size of the Indian healthcare system creates potential opportunities for financial fraud and abuse. Opinions vary on the extent of such risk. In 2008, the National Health Care Anti-Fraud Association (NHCAA) published a “conservative estimate” that 3% of all healthcare spending (\$68 billion) was diverted to fraudulent ends.

Finding 4: Increased Reliance on Business Analysis

As financial performance remains a challenge for healthcare organizations and the establishment of internal control frameworks is still a work in progress, ongoing monitoring of organizational operations has a higher degree of importance. The role of the management accountant can be significant in this effort because much of the performance tracking is financial or operations oriented. In addition, the measures previously used on performance scorecards may likely evolve as the industry evolves, creating additional opportunity for the profession to have an impact on healthcare financial management.

Finding 5: Industry Growth Will Continue

While inpatient-based measures of capacity are slightly shrinking or levelling off (the total number of beds, for instance). In addition, other capacity measures, such as the total gross square footage for all community hospitals nationwide, have seen fairly significant growth, as has the number of full-time employees in the industry. As income generators, many of the largest hospitals rival Fortune 500 firms, with annual revenues between \$5 billion and \$15 billion. As India’s population ages, the need for healthcare services will remain, so the industry will certainly be a significant factor in the Indian economy for the foreseeable future. The landscape, however, shows few management accountants in hospital organizations, as only 12% of those we surveyed noted there were persons with

a CMA® (Certified Management Accountant) on staff. Instead, a heavy reliance appears to be on the Certified Public Accountant (CPA) credential as 50% of the respondents noted staff with that qualification. Therefore, the hospital sector represents an opportunity for growth in the practice of management accounting.

Finding 6: Gap between Standard Industry Practice and Practices of Amri Hospitals:

Although Amri made a place for it in Odisha, It is now the biggest loss making venture of Emami and Emami is planning to get rid of it. Manipal Health enterprises is closed the buyout talks of Amri with Emami for 1700-1800 Crores.

It is safe to assume that behind the fall of the brand Amri, there may be different financial and managerial practices. The capital structure of Amri is weighted with debt and this buyout is a way for the promoters to reduce overall company bad debt.

Though Amri Hospital Follows Industry standard guidelines in case of Financial Management, there are still variance one can notice from the statements.

1. Not all aspects are fully disclosed.
2. Capital Structure is not specified.
3. No known position of debt and equity.
4. Multiple charges from different financial organizations.

Finding 7: Banking & Transactions

Amri Hospitals primarily relies on YES bank to carry out its banking and transaction. Prior there were other financial institutions like, HDFC bank and SBI to carry out transactions.

HDFC still continuing its service as POS services as a part of their previous arrangements.



Suggestion:

1. Need for heightened Operational efficiency.
2. Business analysis training to employees is required.
3. Kolkata Amri controls Bhubaneswar Amri's IT and Finance functions remotely, Amri, Bhubaneswar should be a SBU. It should make reves decision by itself without Kolkata Amri's intervention.
4. There should be more financial and non-financial compensation to employees.
5. New policies should be implemented for employee retention.

Conclusion:

Continuing to build credibility by equipping leaders with accounting and finance skills is essential to the future of healthcare. Leveraging the understanding and strategies summarized in this article and embedding this content into organizational learning, leadership development programs and partnership conversations will support the succession pool by developing financially competent leaders. Future leaders possessing strong clinical expertise and a need

to enhance business acumen may be offered stretch assignments and action learning opportunities¹⁶ in which they are immersed in projects that rely on financial competence and work with teams to drive results leveraging sound financial decisions.

Healthcare leaders who are responsible for the financial health of a practice will benefit from continuous learning opportunities, including lectures and action learning experiences, to elevate the collective organizational financial competence. Physician and administrator partnerships that focus on financial accountability are essential to the overall collective result of the organization.

Financially proficient physician and administrative teams have the opportunity to leave a legacy of sustaining organizational excellence¹⁸ by deploying these critical accounting and financial concepts in their practice and intentionally developing the healthcare leaders of tomorrow.

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