Nurses Content
Downloaded from nursescontent.com

Material and Financial Management

Nursing Management & Leadership

Budgeting, inventory control, purchasing, stores management, equipment management, maintenance, cost control and financial planning in nursing services.

For educational purposes only.

CHAPTER 09 / NURSING MANAGEMENT AND LEADERSHIP 09. Material and Financial Management

1. Material management

Material management ensures that the correct supplies and equipment are available at the required place, time, quantity and quality, at a reasonable total cost. The cycle includes needs assessment, specification, procurement, receiving and inspection, storage, issuing, utilization, maintenance and disposal.

2. Purchasing and stores management

Estimate demand using consumption, patient workload, existing stock, lead time and emergency reserves. Prepare clear specifications, follow approved procurement and tender rules, evaluate suppliers on quality, price, safety, reliability and service, and document receipt and inspection. Separate incompatible materials, secure restricted stock and maintain temperature conditions specified by manufacturers. Use stock cards or electronic records and reconcile physical stock. Follow FEFO (first expiry, first out) for expiry-dated items and FIFO where appropriate. Quarantine damaged, recalled or expired goods according to policy; do not return them to usable stock.

3. Inventory control techniques

Technique	Basis and application
ABC	Annual consumption value (annual usage x unit cost); A items receive highest financial control.
VED	Vital, essential and desirable categories based on service criticality.
FSN	Fast, slow and non-moving inventory based on usage frequency.
Minimum/maximum stock	Establish safe stock bounds to reduce shortage and excess.
Reorder level	Expected consumption during replenishment lead time plus safety stock.

ABC percentage boundaries vary by organization; high financial value is not the same as clinical criticality. A low-cost vital airway item may require close monitoring regardless of its ABC class.

4. Worked inventory example

An item is used at 10 units daily, delivery takes 5 days and safety stock is 20 units. Reorder level = (10 x 5) + 20 = 70 units. Review lead-time variation and stock already on order. If annual use is 1,200 units at 25 each, annual consumption value = 30,000. These hypothetical calculations illustrate inventory planning, not recommended clinical stock levels.

Nurses Content
Downloaded from nursescontent.com

5. Equipment management

Create an asset register with identification, location, status and maintenance dates. Check functionality before use, follow manufacturer instructions and calibration schedules, maintain preventive maintenance records, train users and report malfunction. Remove unsafe equipment from clinical use, label it and arrange authorized repair. Plan replacement based on safety, lifespan, service availability and whole-life cost.

6. Budgeting and financial management

A budget is a quantified plan of expected revenue and expenditure for a period. Nursing budgets may include salaries, consumables, maintenance, training and equipment. Operating budgets cover recurring expenditure; capital budgets cover long-term assets. Incremental budgeting uses a previous budget as a baseline; zero-based budgeting requires justification of activities and costs; flexible budgeting adjusts expected costs for workload; performance budgeting links spending to outputs or outcomes.

1. 1. Assess service volume, objectives, staffing and required resources.
2. 2. Estimate expenses and available funding; prioritize safety-critical needs.
3. 3. Submit the proposal for review and approval.
4. 4. Implement purchases and monitor expenditure.
5. 5. Analyze variances and take corrective action without compromising care.

7. Worked budget example

Category	Monthly budget	Actual expenditure
Nursing salaries	600,000	620,000
Consumables	100,000	90,000
Equipment maintenance	25,000	30,000
Total	725,000	740,000

For cost reporting using actual minus budget, the variance is 15,000 unfavorable (2.07% over budget). Investigate increased staffing need and maintenance expenditure; determine whether consumable savings reflect better purchasing or unmet care. A favorable variance is not necessarily desirable if it results from stock-outs.

8. Nursing responsibilities

Predict requirements, avoid avoidable waste, verify stocks, report shortages and defective items, maintain controlled-drug records and coordinate with stores and finance. Cost containment should focus on removing unnecessary duplication and improving procurement and utilization, not withholding indicated care.

9. Important Examination Questions

Nurses Content
Downloaded from nursescontent.com

Long Answer Questions

1. 1. Explain material management and its inventory control methods.
2. 2. Describe budgeting, its types and steps with a numerical example.

Short Answer Questions

1. 1. ABC and VED analysis.
2. 2. FEFO.
3. 3. Reorder level.

NURSE'S CONTENT / NURSING MANAGEMENT AND LEADERSHIP 21

B.SC. NURSING / CHAPTER-WISE STUDY NOTES

1. 4. Capital versus operating budget.
2. 5. Equipment maintenance.

Very Short Answer Questions (with answers)

1. 1. What is ABC analysis based on? - Annual consumption value.
2. 2. What is VED based on? - Clinical criticality.
3. 3. What is a budget variance? - Difference between actual and planned financial amounts.

10. Quick Revision

- Material management protects reliable availability of safe supplies.
- ABC and VED address different inventory risks.
- Financial decisions must not undermine patient safety.

11. Conclusion

Material management protects reliable availability of safe supplies. ABC and VED address different inventory risks. Financial decisions must not undermine patient safety.

Practice questions

Choose one best answer. The answer key and explanations follow the questions.

1. Which inventory method classifies supplies by clinical service criticality?

A. ABC analysis
B. VED analysis
C. FSN analysis
D. Annual consumption-value ranking

2. An item is used at 10 units daily, replenishment takes 5 days and safety stock is 20 units. What is the reorder level?

A. 50 units
B. 20 units

Nurses Content
Downloaded from nursescontent.com

C. 70 units

D. 100 units

3. Which budget covers long-term assets rather than recurring expenditure?

A. Operating budget

B. Flexible budget

C. Incremental budget

D. Capital budget

Nurses Content
Downloaded from nursescontent.com

Answer key and explanations

1. B - VED analysis

VED classifies stock as vital, essential or desirable based on criticality.

2. C - 70 units

Expected lead-time use is 50 units; adding 20 units of safety stock gives 70.

3. D - Capital budget

Capital budgets cover long-term assets, while operating budgets cover recurring expenditure.

Source and attribution

Online chapter: https://nursescontent.com/learn/nursing-management-leadership/unit-09-material-and-financial-management/

Downloaded from Nurses Content. Branding identifies the delivery website. Original author credits, third-party licences and applicable rights remain unchanged.