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Question 1

Question Type: MultipleChoice

The Fairway health plan is a for-profit health plan that issues stock. The following data was taken from Fairway's financial statements:

Current assets.....\$5,000,000

Total assets.....6,000,000

Current liabilities.....2,500,000

Total liabilities.....3,600,000

Stockholders' equity.....2,400,000

Fairway's total revenues for the previous financial period were \$7,200,000, and its net income for that period was \$180,000.

Assume that the healthcare industry average for the debt-to-equity ratio is 0.90. The following statement(s) can correctly be made about Fairway's debt to equity ratio:

Options:

A) Fairway's debt-to-equity ratio is 1.50

B) Fairway relies less than most other healthcare organizations on borrowed funds to cover future and current benefit payments, to pay for ongoing business operations, and to finance growth

- C) Both A and B
- D) A only
- E) B only
- F) Neither A nor B

Answer:

B

Question 2

Question Type: MultipleChoice

The Fairway health plan is a for-profit health plan that issues stock. The following data was taken from Fairway's financial statements:

-Current assets.....\$5,000,000 -Total assets.....6,000,000 -Current liabilities.....2,500,000 -Total liabilities.....3,600,000 -Stockholders' equity.....2,400,000

Fairway's total revenues for the previous financial period were \$7,200,000, and its net income for that period was \$180,000.

For the previous financial period, Fairway's net profit margin was

Options:

- A) 2.50%
- B) 3.00%
- C) 3.60%
- D) 7.50%

Answer:

A

Question 3

Question Type: MultipleChoice

A health plan can use cost accounting in order to

Options:

- A) Determine premium rates for its products

- B) Match the costs incurred during a given accounting period to the income earned in, or attributed to, that same period
- C) Both A and B
- D) A only
- E) B only
- F) Neither A nor B

Answer:

A

Question 4

Question Type: MultipleChoice

The following statement(s) can correctly be made about a health plan's cash receipts and cash disbursements budgets:

Options:

- A) To predict both the timing and the amount of its cash receipts, a health plan constructs the cash receipts budget using data from its sales forecast and investment forecasts.

- B) A health plan uses a cash disbursements budget in order to establish the amount, but not the timing, of all of its cash disbursements.
- C) Both A and B
- D) A only
- E) B only
- F) Neither A nor B

Answer:

B

Question 5

Question Type: MultipleChoice

A financial analyst wants to learn the following information about the Forest health plan for a given financial period:

Options:

- A) Forest's beginning-of-period cash balance
 - B) Forest's minimum cash balance
 - C) The cash needs of Forest during the period
 - D) Forest's end-of-period cash balance
- From Forest's cash budget, the analyst most likely can obtain information about
- E) A, B, C, and D
 - F) A, B, and C only
 - G) A and D only
 - H) B and C only

Answer:

A

Question 6

Question Type: MultipleChoice

The amount of risk for health plan products is dependent on the degree of influence and the relationships that the health plan maintains with its providers. Consider the following types of managed care structures:

-Preferred provider organization (PPO) -Group model HMO -Staff model health maintenance organization (HMO) -Traditional health insurance

Of these health plan products, the one that would most likely expose a health plan to the highest risk is the:

Options:

- A) preferred provider organization (PPO)
- B) group model HMO
- C) staff model health maintenance organization (HMO)
- D) traditional health insurance

Answer:

C

Question 7

Question Type: MultipleChoice

Many clinicians are concerned about the development of practice guidelines that seek to define appropriate healthcare services that should be provided to a patient who has been diagnosed with a specific condition. To avoid the risk associated with using such guidelines, health plans should advise clinicians that the existence of such a guideline:

Establishes standards of care to be routinely utilized with all patients presenting a specific condition

Preempts a physician's judgment when assessing the specific factors related to a patient's condition

Options:

- A) Both 1 and 2
- B) 1 only
- C) 2 only
- D) Neither 1 nor 2

Answer:

D

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