

What is Amortization in Finance management?

Amortization is an accounting term for the gradual recognition of the expenses associated with **intangible assets such as brands, trademarks, copyrights, goodwill of hospital and so on**, typically over a period of several years. The expenses are initially added to the value of the asset, and gradually transferred from the balance sheet to the income statement using a fixed schedule, usually a constant amount per month (or other accounting period).

The use of amortization affects a hospital's (or an individual's) financial statements, and, in most countries, their taxes.

The advantage of amortization is that it allows the organization to properly recognize that such expenses contribute to productivity or profitability over a relatively long period. Note that the determination of which intangible assets can be amortized, and what period to use, can have substantial effects on the reported profitability of an enterprise.

Dr Madhav M Singh

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