

Management accounts

What kind of business do you want, asks **Alan Suggett**.

Do you want a second hand Ford Fiesta or a Rolls Royce business? There should be no contest. Why think of your dental practice as a basic four wheel car when in your head it could be the King of the Road with you at the wheel?

I've been advising dentists for more than 25 years and, in the past, most dental practice owners have seen their practice as a Skoda, wanting nothing more from their accountant than traditional year-end accounts. Most dentist clients have simply been interested in these accounts as a tool to determine how much tax they have to pay.

The general feeling seems to have been: 'Why do I need to spend time/money in preparing accounts other than once a year when I think I have a reasonable notion of how well I'm doing?'

My other clients (covering multiple types of operation) have generally appreciated the benefit of monthly (or quarterly) accounts to help them run their businesses. They are called management accounts because of the scope they give to keep your finger on the pulse of the business. Using management accounts, you can quickly identify where things are going wrong, or confirm that everything is on track.

But the times they are a-changing. A combination of more challenges generally, and the development of larger practices, means more dentists

are more interested in financial control.

As an accountant belonging to the National Association of Dental Accountants, the insights and advice I can offer are supported by information on how hundreds of other dentists are performing. This is thanks to Nasda's benchmarking data which shows the ratio of practice direct costs and overheads to fee income.

For example, the average private dentist in the 2010 NASDA survey incurred a cost of 14.2 per cent of fee income on laboratories and materials.

Ratios for all key cost areas are researched so that every important area of income and expenditure can be benchmarked.

If you only have annual accounts, perhaps prepared a couple of months after your financial year end, it is a bit like shutting the stable door after the horse has bolted to know that your practice has become out of line with best practice over the previous 12 months – and even worse if you are one of those who kindly let your accountant have your 'books' in January a few days before the self-assessment tax return submission deadline!

Principals who use management accounts are able to perform this ratio analysis every month, and keep a handle on the practice performance



● Do you see your practice as 'King of the Road' or an average basic car?

month in, month out.

Some larger practice owners take things a stage further. My team has worked with a number of practices using computer software such as Sage. It is possible to have the information presented in a simple format showing profit per dentist (so you can see how much profit each of your associates is making for you),

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by 'service line' (for example, NHS dentistry, private dentistry, ortho) and by geographical location (if you

have more than one practice).

This is thanks to a coding system which produces alternative profit breakdowns, more or less at the touch of a button.

Think of it as a car dashboard keeping you informed of speed, weather conditions, time and most importantly, performance.

Don't think any car, think Rolls Royce!■



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