Preparing for year end

Greg Penfold looks at some of the ways you can help your accountant when you start to prepare your year-end paperwork

Whether you’re producing your annual accounts or carrying out a special exercise, being prepared will ensure the necessary groundwork has been carried out when your accountant asks to see your books and records.

You may also be able to help by preparing some of the routine schedules in-house. This will mean the accountant’s time (and fees) can be better spent advising you on your business.

Keeping them informed
Your accountant will be better prepared if he or she knows about any changes within your practice, which could affect the year-end accounts and possibly your tax.

Examples could include:
• Refurbishing a surgery
• Converting your NHS patient list to private
• Business strategy, for example, adopting a practice plan
• Changes to the record keeping system, for example, using a new piece of software
• Key personnel changes.

Better communication with your accountant will help to minimise misunderstandings and avoid unnecessary work at the year end.

Keeping the books
Tax law stipulates that a self-employed dentist must ‘maintain and retain’ their business records. Doing this will not only ensure you keep on the right side of the tax rules, but will help your accountant to extract quickly and easily the information needed to prepare your practice’s financial statements.

Engaging a bookkeeper to maintain (for example, collate, write up and process) your practice’s income and expenses either on a weekly or monthly basis will mean that your time is better spent running your practice rather than getting bogged down in the paperwork.

A bookkeeper will analyse your payments and receipts so that information can be easily extracted, for example obtaining year-to-date figures for the bank. They will also file your invoices in a logical order (numerically, alphabetically or by payment date) to make it easier for you to find any one of them if needed.

A bookkeeper (or payroll bureau) will ensure that your employees pay and tax are dealt with in a timely fashion. There are penalties imposed by HM Revenue & Customs for missing deadlines for filing PAYE forms and paying over tax and National Insurance deducted from your employees. It also follows that ensuring your records and information to the accountant soon after your practice’s year end means they are prepared. Your accountant can prepare all of these schedules but obviously if you were to produce some of them in-house it would save time and fees.

You may wish to consider the preparation of some of the following:

• A list of creditors, for example, lab fees and material suppliers
• A list of patient debtors at the year-end date
• A detailed list of additions and disposals of dental and other equipment (assets) with a copy of the appropriate purchase or sale invoices attached

This will undoubtedly help with all of the above. The RDPMA has produced an advice sheet stipulating the competences of a dental practice manager.

A dental practice should always carry a certain amount of stock. This will need to be counted at the year-end date and the value (at cost) given to your accountant. To ensure that the stock take is carried out efficiently and accurately you should consider the following points:

• Stock items should be stored neatly and logically to make counting easier
• The member of staff involved in counting the stock should be given clear instructions
• Try to minimise the movement of stock during the count. Where possible deliveries of materials should be kept separate until the stock take has finished.

Unless you hold a large amount of stock at your practice, it is unlikely that your accountant will need to attend the stock take. For smaller practices, a stock take should take a matter of minutes rather than hours.

Sticking to schedules
There are a number of schedules, which have to be produced in order that the accounts can be prepared. Your accountant can prepare all of these schedules but obviously if you were to produce some of them in-house it would save time and fees.

You may wish to consider the preparation of some of the following:

• A list of additions and disposals of dental and other equipment (assets) with a copy of the appropriate purchase or sale invoices attached
• A schedule showing each item of stock held, the quantity, unit value and total value.
• A list of your patient debtors at the year-end date, including how much they owe you and how long they have been outstanding. Indicate any which are unlikely to be paid (bad debts)
• A schedule of the petty cash balance at the year-end date, together with details of cash received from patients but not yet banked

Many dental practices have invoiced you at the year end but were not paid until after. It is unlikely that your accountant will be able to keep better control over your business. Procedures may include:

• How patient charges are collected and recorded through your accounting system
• The timing and methods of paying lab fees and material suppliers
• Maintaining a stock inventory
• The date and method of paying staff.

By getting your accounting records and information to the accountant soon after your practice’s year end means they are able to pick up on any errors in your system that these can be rectified quickly. Of course they can also let you know your tax liabilities well in advance of the payment date. This can only be done, however if you are prepared!

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