

WHAT IS YOUR ACCOUNTANT FOR?

Written by Alan Suggett



What does your accountant really do? Alan Suggett explains why an experienced dental accountant can make all the difference

Most people don't know much about the detail of what an accountant does, or the range of possible services most accountants can provide. For that reason, decisions are often made based on price, the one factor which is clear (or seems to be clear until with some accountants 'small print' problems arise!). If a decision is made solely or mainly on price, is it any wonder that clients are often unhappy with their decision in the course of time?

I think choosing an accountant can be viewed in a similar way to choosing a new car. Dentists usually have enthusiasm for cars, and aren't so enthusiastic about accountants, so the analogy might be helpful in making a choice. Most dentists don't choose their new car based mainly on price, or if they did, they would typically drive small Fords or Vauxhalls rather than BMWs, Mercedes and Audis!

A dental business, especially when NHS work is involved, is a specialist area which requires a specialist approach. Just as a farmer wouldn't attempt to use his car to plough a field, why use a general accountant to prepare your dental accounts?

Let's look at a few examples of this theme in more depth.

ALAN SUGGETT

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WEBSITE: www.unw.co.uk
WEBSITE: www.nasdal.org.uk



DO YOU NEED TO BUY AN EXTREMELY PRESTIGIOUS CAR?

There are those lucky dentists who can buy a Rolls Royce or Ferrari; the equivalent would be to use one of the 'big 4' international firms of accountants. Unless your dental business is very large, with external investors, it doesn't usually make sense to take this route.

I've yet to meet a businessman who gets a similar buzz to driving a Ferrari from having a big 4 firm of accountants!

WILL A CHEAP, BASIC CAR BE ENOUGH?

Possibly, but there will always be a risk of it not being up to the task. The farming example above was perhaps a little extreme, a better one might be the occasional need for a 4x4 to stop the dental business sliding off the muddy NHS road into a ditch.

SO, WHAT DO YOU RECOMMEND?

Why do dentists buy BMWs etc? So that journeys can be made with comfort, reliability, safety and reasonable speed. Being able to have the benefit of good features which cheaper cars don't have, and the knowledge that the car design is based

on solid knowledge, specialist research, and industry experience. Just like a specialist dental accountant!

Okay, I accept that I'm biased; after all I'm a dental accountant with a passion for cars!

Let me be more specific about what accountants can do. I will split this into basic and more optional areas of work.

BASIC

The first, and sometimes only, stage of accountant engagement for a sole trader is:

- Accounts preparation – annually
 - Self assessment tax return – annually.
- The requirements of partnerships and limited companies are rather more, but similar in being once a year 'compliance' services. In the basic scenario, very little, if any advice is given.

EXTRA

- Employee payroll – monthly calculation of PAYE deductions and auto-enrolment processing
- Tax planning at basic level – particularly when limited companies are involved
- Management accounts – monthly or quarterly accounts for the practice – quite common in the general business world, but rare for dental businesses.
- Strategic planning – Where are you now, where would you like to be, how can you get there?

Questions which most practice owners rarely ask themselves in a structured way. Good accountants have these points constantly in their minds when looking after their clients. Strategic planning projects are sometimes delivered as part of a formal engagement. In a previous role this was my main focus – I really

enjoyed asking my clients questions like 'On a scale of 1 to 10 how happy are you?'

I would estimate that more than 90% of dentists engage their non dental accountants to carry out work which falls within the 'basic' and 'extras' categories above. However, what else is possible?

DENTAL SPECIALIST ACCOUNTING

Profit and loss account benchmarking – comparison of the client's practice profit and loss account against annual benchmarking data from the NASDAL annual P&L survey. Only available to NASDAL member clients. This highlights areas of potential improvement in the practice P&L, with possible profit improvement.

NHS Superannuation scheme advice – (1) Dental accountants should understand how 'Net Pensionable Earnings' (NPE) is calculated. This is an area of very common confusion. Assistance can be given to completion of the ARR. (2) Restrictions on the amount of annual and lifetime contributions into pensions can lead to potential tax problems. For the increasing number of practitioners affected it is vital to have an accountant (and probably an IFA) who understands the rules.

NHS incorporations – a very tricky area which even some dental accountants aren't familiar

with in detail. However, in order to consider the potential tax savings which can arise from incorporation it is important for the accountant to understand the strange nature of the NHS England incorporation policy. This then can lead to consideration of more complicated structures such as 'Hybrids' and 'Subcontracts'. It is also vital to understand the NHS Pension rules for associate engagements when advising in this area.

Practice purchases and sales – it is very difficult for a non dental specialist accountant to give advice to a client who is considering the purchase or sale of a dental practice. How can an advisor comment on due diligence if he isn't familiar with the key financial factors influencing a dental practice?

After considering the basics, common extras, and the specialist help a dental accountant can give, what else can accountants do?

Many of the services I detail below are only available within larger accounting firms, and are almost always only needed by entities much larger than the typical dental business.

AUDIT

Larger Corporate entities (e.g. limited companies with turnover in excess of £10.2 million) require a 'Statutory Audit', which must be performed by a qualified accountant who

is also a 'Registered Auditor'.

CORPORATE FINANCE

Large scale finance raising, perhaps even seeking external investment.

Purchase and sale of larger companies – advice and due diligence.

CORPORATE RECOVERY/INSOLVENCY

Thankfully not an area which has troubled the dental sector in any significant way so far – although I heard that at least one large dental corporate was slipping towards that precipice before it was sold!

I hope that this summary has helped you understand better what an accountant can do, and maybe has encouraged you to use your accountant (or a different one!) to do more for you. On the other hand, unless you have a corporate practice with fee income in excess of the audit threshold, you don't actually need an accountant at all! Unlike dentists and solicitors there is no legal requirement for an 'accountant' to be professionally qualified. You could always do it yourself! ●

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