

# Running a successful optical practice

## PART 8 – Managing finances

Rightly or wrongly, the fact is that 'money makes the world go round' and your ability to manage the financial side of your practice is critical to its ongoing success or its eventual demise.

**Richard Peck** discusses financial management

THE BEST BUSINESSES I know are run by people who are innovative, entrepreneurial and also have a keen understanding of how to look after their money and how to make it work for them with as little risk to them and their businesses as possible.

It is as crucial to understand both when to invest and when to save, as how to invest and how to save. Sadly, this ability is not always one's strength. However, this does not present a problem, it just means that you need to find someone to help you with it.

### BOOKKEEPING AND ACCOUNTING

Some people will want to be as involved in the finances of their practice as they can be. While this is not a mistake, it is worth remembering that the more time you spend processing invoices, the less time you can spend creating the money that is used to pay them.

It is far better to invest time and effort finding an accountant who understands you and your business and, for a fair price, will help with the day-to-day management of the finances. You will still have to ensure accurate information such as receipts, invoices and statements are filed and forwarded to your accountant, but there are so many benefits that will prove to be invaluable over the years.

Accountants that have an intricate understanding of the optical industry and know the difference between one lens and another may be difficult to find. However, there are companies and individuals out there that have experience in dealing with other opticians and/or similar types of businesses such as dentists or doctors.

Accountants with experience from other health-related industries will have knowledge of NHS, direct debit income and schemes such as Eye Care Vouchers, which will be a huge advantage. They will also have an understanding of the tricky negotiations with HM Revenue & Customs over apportionment of VAT and the level of exemption.

Ideally, you should get an accountant involved from the very start, that way you can discuss the best legal form for your company and for your employment status, namely sole trader, partnership or limited company. There are taxable advantages and varying legal responsibilities and every person will take a different view of which is most suitable for their own situation. Your accountant will also advise you on which types of bank accounts to establish and how to use them in a way that benefits your business.

A good accountant will work as hard to make your practice successful as you do, not just giving you the information you need but also commenting on it and helping you develop business plans and avoid common hazards and pitfalls.

### PROFIT AND LOSS

There are many ways to track the performance of your business and you should try to use as many of them as you can without it becoming detrimental to the time you spend with your customers. The better you understand what is making and indeed what is costing you money, the better your performance will be.

Tracking profit and loss (P&L) is essential in all businesses and in a new practice you should work hard to ensure

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### RUNNING A SUCCESSFUL OPTICAL PRACTICE

This series, published monthly in Management Matters, will cover the following topics:

- ◆ Starting an optical business
- ◆ Managing premises
- ◆ Managing IT
- ◆ Managing products
- ◆ Managing people
- ◆ Managing finances
- ◆ Attracting business
- ◆ Operating as a business within the NHS

The series is written by specialists in optical management and marketing, Graham Hutchison, Dr Ian Moss, Richard Peck and Martin Russ

you have a detailed knowledge of your P&L and the factors that affect it.

In our own business a forecast of the P&L is the first document we start with when looking at a potential new store. It forms a major part of the proposal and is used at all levels to make decisions and to plan ahead. Prior to the opening of a practice, when it is still in the decision-making stage, the P&L is created by using the factors we know such as occupancy costs (rent, rates, service charge and so on) labour costs (such as wages, national insurance and locum cover), depreciation of equipment and consumables (stationery, insurance, bank/credit card charges and so on). These costs, together with the margin, allow you to calculate the 'break even' figure – in other words the minimum sales required not to lose money. You should include your own minimum personal earnings requirement in the total staff costs, when building this model.

Once established, the P&L should be produced monthly to assess the level of gross sales (before VAT is deducted), net sales (following the deduction of VAT) and the cost of goods sold (including carriage and any shrinkage for that period of time), thereby indicating the margin. The P&L should then show the deduction of costs such as occupancy, labour and consuma-

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