

DENTISTS, FOR THE MAJORITY, MAKE THEIR LIVING THROUGH WHAT IS ESSENTIALLY A SMALL BUSINESS. YET DENTISTS ARE ILL-PREPARED THROUGH THEIR TRAINING FOR THE ROLE OF BUSINESSMEN.

# Accounts

DEBUNKING THE MYTH

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AS SELF-EMPLOYED TRADERS, YOU HAVE TO BY LAW PREPARE ANNUAL ACCOUNTS AND SUBMIT THESE, WITH YOUR SELF-ASSESSMENT TAX RETURN, TO H M REVENUE AND CUSTOMS IN ORDER TO CALCULATE YOUR ANNUAL TAX LIABILITY. ADDITIONALLY, IF YOU WANT TO BORROW FUNDS, THE LENDERS WILL INVARIABLY REQUEST A COPY OF YOUR LATEST ACCOUNTS.

Keeping records of the business transactions in order for your accountant to prepare these accounts can be a chore and the resultant accounts, for many of you, are a total mystery. There is something of the "dark arts" to them; through some sort of alchemy, all your efforts for the year are distilled and formed into a few pages called "Accounts" for which you pay good money.

You may receive very little explanation of their meaning and how the figures represent the reward of your work, how much the business is worth, and how the earning capacity of your business compares to other practices. With a little more understanding, and the assistance of a specialist accountant, the accounts can become a tool to understand the financial performance and recognise where

improvements in your practice could be made. Firstly, let us explore what these accounts mean and then let us drill down into the figures to analyse how they represent the efficiency of the practice and how potentially you can use the accounts to highlight areas where improvements can be made to maybe increase your earnings, or at least to understand the financial dynamics of the practice.

## The meaning of the accounts

The general format of accounts is determined by law and accounting convention so that there is consistency in the measurement of profit and business value. The accounts generally come in two parts, the **profit and loss account** (fig.1) and the **balance sheet** (fig.2).