

General Practitioners - Darnells Acts for over 30 GP Practices and 200 GP's in Cornwall, Devon and Somerset

"Ten Common Problems " - A list of common problems we find when taking on new clients.

1. Netting Off of Income & Expenses

Income and Expenses are sometimes netted off against each other therefore hiding your true performance.

2. Drug Performance not recorded correctly

On cost and Dispensing Fees should be shown separately to Drug Reimbursements, which should be shown next to Drug Costs and both accounted for correctly. Otherwise you can't see your true profit or loss on drugs each quarter / year.

3. Staff Costs out of control

Based on your list size and number of practice sites you have an ideal staff cost per patient which you should be aiming for. Some practices have an inefficient use of part time or expensive staff.

4. No Performance Comparison to other practices.

A practice's performance should be compared to others in the same area or region and not from nationally available statistics. With income streams reducing and costs increasing you need to know what areas you can improve in and if you are ahead of the game or playing "catch up" compared to other practices in your area.

5. Incorrect accounting and tax relief on Pension Payments

Partner's Employers Superannuation payments should be shown as a cost against income with employees and any other pension payments shown in the partner's drawings. Tax relief can only be claimed on pension payments made in the tax year and must allow for future refunds of superannuation if a refund is one day expected that relates to that tax year. To do anything different, results in the wrong tax relief being claimed.

6. Incorrect Completion of Pension Certificates and monitoring of Seniority.

Resulting with incorrect pensionable earnings, the wrong pension payments being made each year and an incorrect final pension! Seniority is based on pensionable earnings and each partner's seniority position should be reviewed and checked at the same time as completing the annual accounts and pension form. Otherwise over or underpayments arise without forewarning and sometimes after a partner has retired or left the partnership.

7. Failing to Show Capital and Current Accounts Separately

This confuses property ownership and in most cases hides the true cash management performance of the practice. Partners should contribute to all asset changes either through drawings reduction, introduction of capital or through taking out a loan otherwise it can put a strain on the practice bank account and the partner's current account.

8. Insufficient Reserves for Future Superannuation Liabilities

With Superannuation being a practice paid liability on behalf of all partners reserves should be held back from partners' current accounts to meet this future cost.

9. Incorrect "Equalisation" of partner's current accounts.

Every partners current account balance is mainly a result of their own under or overdrawn profits to date. Any over drawing of a partner should NEVER be equalised with other partners so that they bear the cost of another partner drawing too much money.

10. Having Correct Prior Shares of Income and Expenses

Rarely are two partner's profits the same. Usually there are differences in Seniority income or Rent Sharing but in all cases their Superannuation costs will differ and must be recorded correctly.