

# Cash in hand

Ensure that your income reaches your pocket, says **Nick Stewart**.



● Payment by credit or debit card ensures that you are paid quickly with little chance of fraud.

**A**re you controlling the cash that you receive from your patients? Would your records stand up to an investigation by HMRC? Are you confident that all cash finds its way into your bank account?

Dental practices are paid for treatment in a variety of ways – in cash, by cheque, by debit or credit card, or bank transfer. Whether you

use a manual or computer system, the practice records should clearly highlight the method of payment and be recorded alongside the name of the dentist or hygienist who earned the fee.

As a specialist dental accountant, my favoured payment method, and one to be promoted at reception, is the debit or credit card, otherwise known as PDQ payments, (PDQ describes the speed with which the money enters your account and stands for Pretty Damned Quick.) We also recommend patient finance plans. The plan providers pay the practice in advance for a major course of treatment so the patient staggers their repayments over a period of time. They bring in money ➔



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Upfront and the plan provider is responsible for any bad debt.

When you receive your bank statement it is good practice to check or reconcile the fees received against the deposits that appear on the statement. The debit and credit card payments should be easy to reconcile as these usually appear daily and the date of the original transaction is detailed on the statement. Similarly, bank transfers from payment plan organisations are easy to identify as the payment source shows up on the statement. It is worth remembering, however, that any finance charge is usually deducted at source so only the net amount is credited to your bank account.

Most dental practices wisely still accept cheques because they are the preferred payment option for a declining but still significant number of patients. If a record has been kept of which patients have paid by cheque then it should be a matter of totalling the cheques that you take to the bank and reconciling this total to the credit on the bank statement.

It is cash payments, however, that provide the greatest scope for problems. Ideally, the money should be totaled up and deposited in the practice bank account. Because of the relatively high charges levied by banks for depositing cash, however, many practices choose to use that money to fund petty cash expenses or to provide the practice owner with their personal drawings. If internal controls and record keeping are weak, trouble will inevitably occur. Ideally, patients' cash should be banked intact and cheques for petty cash drawn on the business bank account. This is not always realistic and if petty cash usage is low then it is acceptable to use the petty cash in the till as long as receipts are obtained for all expenditure and

regular counts are carried out.

Patients' takings are a favourite tax investigation area with HMRC: they are concerned to ensure that all fees from patients have been declared by the practice owner in the accounts and so have been subjected to tax. Cash is harder to trace than other payment methods and the paper trail may not be as clear. If you are unlucky enough to be the victim of fraud and patients' cash goes missing then this amount must still be included as income in your accounts as no tax relief is available.

Mention was made earlier of recording the payment method for each patient's taking. This should help control the practice's income but it is not sufficient to only concentrate on the cash figure; it is not unknown for a cash taking to be recorded as a cheque or card payment in an

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effort to disguise fraud and so takings should be reconciled and agreed in total to the bank account,

taking into account any amounts used for petty cash and drawings (that must be recorded). A determined fraudster might also delete computer records so that there is no evidence of the original cash receipt.

No system is 100 per cent foolproof but by following the above suggestions you will have a robust patients' takings system and you should be able to answer the three questions at the beginning of this article in a way which will make your accountant very happy.

1. Are you controlling the cash that you receive from your patients? Yes.
2. Would your records stand up to an investigation by HMRC? Yes.
3. Are you confident that all cash finds its way into your bank account? Yes. ■

To speak to Nick Stewart call 01844 260111 or to find a NASDA member in your area, go to [www.nasda.org.uk](http://www.nasda.org.uk)