

QUICKBOOKS IN THE EVERYDAY OPERATIONS
Veterinary Hospital Managers Association
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A. QuickBooks

This is the most widely used financial software in our industry. Some of you work with this software everyday, some prepare data for the accountant and some receive the financial information as needed for specific tasks. While not an expert, I will highlight what I think are some key reasons to use QuickBooks and make it as efficient as possible.

Accountants use QuickBooks and will ask for that type of reports and data. My hospitals have worked with different accounting firms and every one used QuickBooks. It is also, generally, the software of choice for consultants and practice brokers and has a good system of accounts and categories.

There are standard accounts already set up in QuickBooks. AAHA chart of accounts works well with the basic accounts that come ready made in QuickBooks. You can group all of your personnel costs together or all of your facility costs. Staff costs would include: wages by department, payroll taxes, employee insurance, continuing education, uniforms, meals, retirement match, etc. Occupancy costs will include rent, building insurance, utilities, maintenance, building repairs, and property tax.

By categorizing your accounts with sub accounts you can keep track of things that the accountant may not want but you do. My favorite example is postage. For several years the accountant and I went back and forth on my need to make postage a line item of its own on the P & L. We compromised with a sub account to office supplies. If the postage is way down, I become concerned about whether reminders are being sent out in a timely manner.

For several years, I kept hearing that you should import your income from the veterinary software category totals (profit centers) into your QuickBooks. But no one was saying how. Lorraine Monheisser List of Summit Veterinary Advisors finally solved this mystery for me. Our daily receipts are entered in a category called professional services each day as that money goes to the bank. I then make a journal entry each month that debits this main entry called professional services and credits accounts that I created for each income category; professional services, lab services, medications, vaccinations, boarding, etc. By making this entry each month, I can tell how each location is progressing and in what areas. It was reassuring to note that our hospital's vaccinations have actually become the less than 10% of income that we have been targeting for several years.

This can be set up as a memorized transaction so that each month. I only have to go to the memorized transaction list (from the drop down list under View at the top of the screen) and change the transaction date back to the last day of the last month. Then make the debit and credit journal entries. The information is adjusted to show where the income

came from. The memorized transaction keeps me from having to try to remember everything that was in the last month's list. Most any of the reports in QuickBooks can be memorized so that new data is read in the same manner, such as last month's P&L. It automatically gives me the new last month. A shortcut list, chosen from the View drop down list, can be set up to show all memorized reports and allows a click of one button to bring this up for you.

There are many individual choices that can be made from the Preferences portion in the Edit drop down box. This is also where many features are activated. It is beneficial to spend a few minutes going through each section of this.

B. Basic Financial Reports

QuickBooks maintains a wide variety of useful reports that can be understood by all levels of expertise. My practice owner agreed for me to share some of our actual reports with you. Some are pretty, some are not, but all are real

One of the most useful financial reports is the Profit & Loss reports can be run for any date range; month, quarter, year or some portion of these. I like to mark the report for the percent of income. These can be compared to industry benchmarks. Since an increasing number of veterinarians use QuickBooks, it is becoming easier to compare to industry benchmarks.

It can answer some of the questions about where your profits may be slipping away. Are your drug and medical supplies costs higher than anticipated? Technicians (present company excepted, of course) like to have an extra of everything, but there is a realistic reorder point that will keep you from running out of needed supplies without creating a surplus. When your drug cost is considerably out of range from the industry, it is time to examine the reasons why. If you review staff costs, do you see that you are within accepted parameters? Are you putting the profit in everyone's pocket but the owner's or is it time to evaluate some or all of the employees for a raise. Even though we have all manner of justifications for why our hospital has higher than the average drug or staff cost, the reality is that we may not be as profitable as we could be. These decisions are driven by what you read from the P&L.

The profit and loss report starts with a section for gross income from all accounts; then subtracts the cost-of-goods. These items do not count as an expense since they essentially pay for themselves as they are sold; ex. drugs, lab tests, pet food, retail items, local pet license. The report then lists and totals all expenses. This is then subtracted, along with other income or expense items, to give a net income or loss figure.

There is a graph feature in the company section of the reports that will automatically prepare a graph that allows a quick view of income / expenses. This will show you by date with percentages of income and is very easy to change the dates. It will continue to break the categories down to the minutest expense. You can view drug costs alone and see when costs spiked or plummeted. This is a good planning tool for the coming year.

I also like the Comparison with Previous Year report. This report will show you a profit & loss report in the same format as the regular P&L for any period of time and the same period of time for the year before. You can also set this report up to show you the change in dollars and/or by percentage of either income or expense. It is a good way to tell if you are going forward or backward. Like the regular P&L, there are all manner of ways to sort this information.

The Balance Sheet has a lot of information for the accountant, but what can we glean from this report for everyday use. I find that it helps keep track of inventory and accounts receivable. A monthly journal entry from the information on the veterinary software reports brings this number up to date without waiting for year end accountant changes. The balance sheet also shows what is listed for assets and gives rise to the question, “have I spent enough on the facility?”. If this number seems very low, you may be neglecting one on your most valuable assets.

One of the most incredibly versatile reports is the Transaction Detail by Account Report. This report is an easy way to spot check how much you have spent on any particular category or company, or by name, memo, etc. One of my hospitals had a proposal to change IT guys for \$300 per month, which seems reasonable. Until you pull up a report and see that we only paid \$1100 last year for similar coverage compared to the \$3600 this guy would be charging. This report was much quicker than having to find a paper file and add up the invoices (providing all invoices were in the file).

C. Payroll is one of the most appealing features in QuickBooks. First enter the individual employee data; name, address, phone and social security numbers, birth and hire date, pay rate, tax information, any recurring payroll deductions. Once this basic information is in the system, you can get a myriad of data in moments.

This is the time of year that you have to fill in the worker’s comp audits, which rarely work on an annual timeframe. Ours is February to February and is often in mid pay period. A payroll report can be brought up for any time frame and can break out regular wages, officer wages and overtime pay. When setting up payroll items, separate officer wages, doctor, management, technician, kennel, receptionists and groom commissions. This will allow you to print the payroll report for a specific department and its overtime.

You can set up a wide variety of deductions; medical, dental, life insurances, retirement contributions (by dollar amount or percentage) and additions such as incentive pay, bonus, doctor production. QuickBooks already knows the particulars for Social Security and Medicare and after entering the employee’s W-4 information; the system will automatically know how to adjust for the individual’s tax rates.

To process a payroll, you just enter the hours and all deductions are automatically figured and the paycheck is ready to be printed. You can purchase checks for QuickBooks as easily as any other type. At the end of the year, you can easily prepare, review and print W-2s and the W-3.

D. The bill payment feature helps keep your accounting straight. When bills are received, there is an entry made that will allow you to note the category for each payment and the due date for each bill. This will also place this expense into the profit and loss report. Most veterinary hospitals work on an accrual basis and this entry notes the bill when it is received. When you mark a bill for payment, you can pay all or part of a bill and set the date you want the check to be written.

The vendors are entered with name, addresses and when indicated a social security number. You can also prepare 1099s and a 1096 at the end of the year. When setting up the vendor, there is a spot to mark eligibility for a 1099. I have found this helpful for contract labor, such as relief veterinarians.

E. There is an employee report called a Contact List. This is so much more than a phone list. You can print this report with date of hire for benefits review or date of birth for a birthday list. There are options for earnings rates, accrued vacation and sick time, addresses, phone numbers and release dates for on employee or all.

F. QuickBooks data can be easily exported into Excel for those of us who want to be able to work the figures. By exporting monthly profit and loss reports into a spreadsheet, I can see at a glance which areas are changing. This created a monster of a spreadsheet, but did serve my purpose at the time.

Many banks have programs that interface well with QuickBooks. Ours will allow us to download into the QuickBooks to automatically reconcile the accounts.

G. Budgeting made easy

Since many of us struggle to find time to work the budget after creating one each year, anything that makes this quicker and easier is a benefit. With QuickBooks' P&L, you will have all the figures that you spent in a given period of time in front of you. To update your budget monthly or quarterly, you can enter amounts into budget spreadsheet straight from the P & L. Excel will do the work of figuring the percentage of expenses to income.

I have found that any set up time spent to get started with QuickBooks has been recouped several times over and it is unthinkable to recall how we used to work with a paper checkbook. I went to work at a hospital several years back that was not using computerized financial software and realized quickly how dependent I had become to the ease of QuickBooks. The time involved to write the checks out was daunting. Whether you are working with QuickBooks now or not, I hope that you now have a very basic understanding of what this financial software can do for you.

Questions?