

Financial Health Check For Your Pharmacy

Keeping an eye on your finances, whilst running a busy pharmacy can be difficult. Here are ten key questions that you should ask yourself:

Q1

How healthy is your short and medium term cash flow?

Many businesses fail not because they are unprofitable, but due to problems with their cash flow. Don't forget to do a rolling monthly cash flow forecast – and one to cover the next twelve months.

Q2

To what extent are your bank facilities underused or committed?

Will your bank facilities cover all your maturing liabilities? Remember to keep your bank informed of your financial situation.

Q3

Are you monitoring your commitments effectively?

When are your capital commitments falling due? Generally, unless there is a good reason, don't pay your commitments early.

Q4

How Tax efficient is your business?

Is your business structured effectively? Perhaps changing from a sole trader to a limited liability company might be advantageous? Are you aware of what expenses you can claim?

Q5

Are you paying your VAT, PAYE and NIC on time?

Don't pay late payment penalties unnecessarily. However, if you are unable to make a payment on time, inform HMRC in advance and discuss the schedule of payments. This is an area, where your accountant can help you. You will incur interest, but will not incur the penalty charges.

Q6

How does your business manage its cash?

Do you have effective controls at the point of sale? Do you allow cash to sit unnecessarily on the premises? Poor cash controls could leave you open to fraud and theft.

Q7

Does your business have good stock control?

Could your management of stock be improved in anyway? If your stock turnover is more than 4-6 weeks, this ought to be an area for Improvement.

Q8

How good is your business' cost control?

Are there any areas in which you could save money - salaries, utilities and other overheads? Savings in these areas can improve your profitability.

Q9

How effective is your purchasing power?

Look at both your variable costs (medicines, merchandise etc) and your fixed costs (premises etc). Always negotiate with your suppliers. In today's competitive environment, superior margins can be gained by driving down your costs as the market will dictate your sale price.

Q10

Are you compliant with current legislation?

Are your employees' contracts up to date and compliant with employment law? Dealing with HR problems can be time consuming and costly for your business.

**For further information, please take a look at our website
www.raaccountants.com**

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