

How a budget helps you control costs

The budget of a chiropractic practice should be a vibrant document, one that is understood and used on an ongoing basis. While it is part of a historical reporting system, it should not be used only to see how you've measured up to your goals months, or even weeks, after an accounting period has closed.

Rather, this information should be checked frequently.

When you created the basic chart of accounts for your practice, you created a list of general categories such as office expenses or repairs and maintenance. For a profit and loss statement, those categories are all that are required. For cost control, however, breaking down these items into subcategories might be warranted. For example,

- Utilities: gas, electric, water and sewage
- Office expenses: supplies, equipment leases, postage, temporary help
- Insurance: liability, auto, health, life, workers' compensation

When you break down items into subcategories, you get detailed information on exactly where the money is being spent so you can monitor and correct any serious excesses. Compare your fixed expenses to the budget, and the amount spent a year earlier on the same items to see if you are still controlling costs.

Even when the trend is exactly where you want it to be, you should not give up monitoring your practice's costs against budget. You can create a statement that looks like this one:

	BUDGET	ACTUAL		
	2004	January	YTD	+/-
Monthly Income				
Cost of Services				
Gross Profit				

By tracking income and expenses on a month-by-month basis and comparing them to your budget, you will know at a glance whether you are over or under in any budget category.

Don't make the mistake of choosing short-term satisfaction — or profit — at the risk of long-term stability. Keep all expenditures within reach until the chiropractic practice is well on its feet and able to easily afford them. ♦