

How Much Inventory Does Your Practice Really Have?

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THE PROBLEM

The inventory report from the practice software indicates \$1 million in inventory is on hand, but the practice has only 2 veterinarians. Practice inventory typically should be \$16,000 per full-time veterinarian.¹

THE SOLUTIONS

1 Perform an actual inventory count that includes:

- Name of each inventory item
- Exact number of each item, indicating measure counted (eg, tablet, tube, bottle)
- Cost of each item
- Value (ie, number multiplied by cost)

Once the actual inventory on hand has been calculated, analyze further by removing any items that have expired or are obsolete. Obsolete items are those typically not expected to sell, such as trendy items (eg, neon-colored collars, alligator pet treats) when the trend has passed.

2 Update the practice software to reflect the actual inventory count, taking into consideration whether an item should be included. Can the item be invoiced?

Invoiced items (eg, drugs, in-house laboratory supplies, prescription diet foods, over-the-counter and retail merchandise) are automatically removed from the system when sold. Items not directly invoiced should not be included and should be considered practice supplies and expensed when purchased. Supplies that are inventoried and never invoiced are the most likely reason for \$1 million inventory reports.

3 When the practice software reflects inventory accurately, regular updates are important. The author suggests counting about 25% of the inventory quarterly, with a full count at the end of each year.



Like the complicated cases in your practice, some challenges may need a different approach or original solutions. For more ideas and direction, consider looking for an individual consultant or someone with a specific area of expertise at vetpartners.org/directory

THE IMPACT

With an accurate inventory that is updated regularly, effective analysis and management (eg, finding product duplication, setting up reorder points, establishing reorder quantities) will be easier. Better inventory management results in a more accurate accounting of the cost of goods sold and ultimately more profit to the practice. ■

Reference

1. Tumblin D, Tassava B, Traub-Werner M. *Benchmarks 2017: A Study of Well-Managed Practices*. Columbus, OH: WMPB; 2017:101.