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Instructions for a simple “*what-if*” scenario that illustrates the functionality in this free Excel-based Practice Model designed for dentistry.

The Practice Model is a fictitious dental practice that contains 24 months of both financial and production data for a practice with 11 employees.

Business Scenario: An industrial park near this dental practice is attracting many large businesses and the practice owner feels this might be the right time to expand his business. The owner was already considering an additional associate dentist to help with an increasing number of patients serviced by the current dental staff. In addition to the associate dentist, the owner is also considering an additional hygienist. These two new employees will increase the production staff to eight. Therefore, the practice owner believes a dental assistant and one additional administrative employee may also be necessary. The office space he is renting can accommodate this expansion (which was a factor when he relocated to this location five years ago).

Average revenue in the past 24 months is approximately \$110,000 a month. The practice owner has a current forecasted salary and bonus of \$260,000 after taking the forecasted year-end profits as personal compensation.

The strategic financial issue in this example is: how much additional personal compensation can the practice owner expect to earn if his practice expansion plan is successful?

To run this *what-if* strategic scenario, you will work only with the first three yellow tabs in the model's Excel workbook.

- Manpower Input
- Planning
- Forecasting

(In this model, you can only enter data in Excel worksheets with yellow tabs.)

Before starting this example though the model, be sure to have a printed copy of these instructions in front of you.

Step 1- Go to the “*Forecasting*” tab and note the current monthly and annual forecasts in columns K and L. The monthly and annual revenue forecasts are \$147,522 and \$1,770,262 and the profit forecasts are \$12,344 and \$148,123 respectively. (This current forecast already includes all four new employees contemplated in our scenario.)

Step 2 –To calculate the incremental personal compensation that could be available to the practice owner through this proposed expansion, go to the “*Manpower Input*” tab and in cell J6, change the practice owner's projected annual bonus from \$100,000 to \$245,000.

Step 3- Return to the “*Forecasting*” tab and note that the recalculated monthly and annual income statement profit forecasts are now \$85 and \$1.021 respectively (close to zero profit.)

Therefore, his forecasted annual compensation under this practice expansion scenario would be **\$375,000** (Salary of \$130,000 plus bonus of \$245,000). As given above, the practice owner’s current forecasted annual compensation was **\$260,000** (Salary \$130,000 plus a bonus of \$130,000) before this proposed expansion. Under our scenario, the personal compensation for the practice owner *could* increase by \$115,000 annually - from \$260,000 to \$375,000.

To better understand and **practice** using this model, eliminate the four “*what-if*” employees, which resets the practice owner’s forecasted annual compensation back to the original \$260,000.

Step 1- Go to the “*Manpower Input*” tab and enter “0” in columns H, J, and L for rows 9, 26, 46, and 47. (Once you view the “Manpower Input” tab screen design, you will quickly see that these are the cells that were used to enter the four *what-if* employees estimates for annual compensation to create the expansion scenario.)

Step 2- Go to the “*Planning*” tab and enter 0 in cells N13 and N30. These are the **production** estimates used for the two employees (the associate dentist and hygienist). Note the green-colored cells to the right will clear.

What you have done is merely remove the four what-if planning employees from the projected monthly and annual income statement forecasts.

Step 3- Return to the “*Manpower Input*” tab and, in cell J6, change the practice owner’s projected annual bonus forecast from \$245,000 to \$130,000.

Step 4- Return to the “*Forecasting*” tab and reexamine the changes in the monthly and annual forecasted profit in columns K and L. Note that the recalculated monthly and annual profit is (\$93) and (\$1,120) respectively – essentially zero profit.

If you’re feeling **adventurous** and removed the four **planning employees**, go back to the “*Planning*” tab and change some of the production forecasts for the current dentists and hygienists on staff. Then go to the “*Forecasting*” tab and see how these changes in **production estimates** for the current production staff affect the monthly and annual income statement forecasts. Then go to the “*Manpower Input*” tab and adjust the practice owner’s annual bonus forecast until the annual income statement profit forecast is close to zero. (It’s easy to get the profit to be exactly zero. Try it.)

The website **does not** require any contact information for this **free practice model download**. If you choose the “open” option after clicking the download link on the “Home” page, the model will open in an Excel browser format. If you save the browser or choose “save” after clicking on the download link, the file will be saved like any other Excel (.xls) file. **The Excel browser format makes it very easy for someone who has never used Excel to review or play with the model.**

This is an example of just one of the five important functionality features offered by this Excel-based model designed for dentistry.