

Acuprensurism, Part Two: Income, Expenses and Breaking Even

By Rory Lipsky, LAc

Editor's note: Mr. Lipsky's first "Acupreneurism" article appeared in the June 2004 issue.

The typical model that acupuncturists follow is to get out of school and open an office.

While this model can be very effective, the chances of success go up dramatically with a functional understanding of business including accounting, sales, marketing, customer service, and networking. Many of you may be saying to yourself, "I went to acupuncture school so that I would not have to do sales and marketing," but the reality is that most acupuncturists are business owners and operators and, as such, are well-served by having a through appreciation of what it takes to be successful in business.

In this article, we will discuss some basic accounting terms and see how they apply to the practice of acupuncture. Accounting is the language of business, and while you may not be fluent in this language, it is vital to have at least a rudimentary understanding of the various components of accounting. Possibly the most basic part of accounting is the profit-and-loss statement, also known as the income statement. This form tracks all of the money you take in (revenue or sales [gross]), versus all the money you spend (expenses), and shows you what the profit (net) is. Revenue is all the money that comes in from your business activities, including consultations, acupuncture treatments, herb sales, rental income, etc. Expenses are all the money you spend, including rent, salaries, supplies and herbs, and marketing. Profit is what is left for you to take home. While this may seem simple, your ability to work effectively with these concepts may be the difference between the success and failure of your business.

There are two basic ways to increase your profit: either increase the amount of money you take in, or decrease the amount of money you spend. Although on the surface it may seem that limiting expenditures

would be the easiest way to increase your profit, it is important to remember that the quality of your practice is a direct result of how nice your office is, how qualified your staff are, how much money you spend on marketing and advertising, and the quality of the herbs you recommend, so don't cut your expenses just yet. In fact, it may be necessary to increase the amount you spend in order to make more revenue. Remember the old saying, "You have to spend money to make money." The key is to make sure that your expenditures have an overall positive effect on your business, even if it takes a while to see the results.

By putting the knowledge of the income statement to work, it is possible to calculate the break-even point of your practice. The break-even point tells you how many patients you need to see over any given time period before you earn a profit. Let's take a basic look at what it takes to break even in a month:

Breakeven for a Month			
Expenses		Per Patient Revenue	
Rent	\$1,200.00	Acupuncture	\$85.00
Salaries	\$500.00	Herbs	\$25.00
Advertising	\$200.00		\$110.00
Liability Insurance	\$50.00		
	\$2,150.00	Break-even # of patients (\$2,150/\$110)	20

In this simplified example, you will have to see 20 patients in a month before you see a profit. To calculate your break-even point for a month, add up all of your monthly expenses, then add up all of your monthly income. Then, divide the expenses by the per-patient revenue to see how many patients you need to see each month to break even. Breaking down your practice to a per-patient basis will give you a grounded way to view your business and any potential expenditures can be calculated down to a per-patient break-even point.

In my next article, we will discuss sales, marketing and promotion.

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