Veterinary Management Groups
Companion Animal Practice
Chart of Accounts

Financial Framework for Practice Management and
Comparative Data Compilation in Small Animal Veterinary Practices

Financial Cornerstone of Successful Practice Accounting and Bookkeeping
Systems

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Veterinary Study Groups, Inc. is the leading provider of support to independent veterinary practices in their pursuit of extraordinary success through study group membership.

Sound business methods support the veterinary practice team’s best care of patients and clients.

This Chart of Accounts for Companion Animal Veterinary Practices is the culmination of three decades of work by various veterinary practice management organizations and their members.

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The needs and circumstances of every veterinary hospital are unique. This desk reference provides information that complements but does not replace legal, financial, or other professional advice.

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This desk reference book would not have been possible without the collective wisdom, vision, encouragement, and support of many important and valued colleagues (both doctors of veterinary medicine and others committed to advancing the values and mission of the veterinary medical profession) and several important organizations.

In the early 1980’s, members of the American Animal Hospital Association advanced the creation of the AAHA Chart of Accounts. These early visionaries embraced the conceptual idea for a universally-accepted framework of practice financial data collection. Veterinary practices throughout North America adopted the AAHA Chart of Accounts, as their administrators understood the critical importance of consistently-reported financial results that could be compared with other like practices.

AAHA leadership’s commitment to the chart’s development was farsighted. These bright veterinarians grasped the importance of developing a sound framework for financial management of practices and committed necessary resources to create a chart of accounts that recognized and supported the unique needs of the veterinary professional practice, which are unlike that of any other profession.

During the chart’s development, AAHA leadership and Executive Director Dr. John Albers sought the help of a young, creative CPA whose professional expertise served a specialized niche: the veterinary profession. Owen E. McCafferty, CPA, CVPM generously assisted AAHA in developing the first chart of accounts specially designed for veterinary professional practice. AAHA published this first official veterinary chart of accounts in 1987.

In 1983, some of the same AAHA leader-visionaries coalesced to form the first veterinary management study group, still in healthy existence today. The first Veterinary Management Group (VMG I) membership included such well-known veterinarians as Dr. Robert Featherston, Dr. Gary W. Johnson (1934 - 2003), Dr. Richard Goebel, Dr. Paul Glouton, Dr. James Dee, Dr. Ron Komich, and others. The study group embraced the AAHA Chart of Accounts to collect meaningful and comparative financial information that would help each member better strategically plan and administer his practice’s operations.

In 1996, the best minds became the elements of the perfect storm. VMG I engaged Owen McCafferty as its new learning-facilitator. The ensuing creative collaboration envisioned a much greater cause and calling: to provide other veterinary practice owners/CEOs a template for shared success and contentment as veterinary medical professionals. The model they designed
became the means for others to succeed much more rapidly, through a governing company known as Veterinary Study Groups, Inc. (VSG).

The first group to form through VSG was of equine veterinary practitioners (2001). Other equine groups also formed, creating a need for common accounting methods and resulting in the 2006 publication of the Equine Veterinary Practice Chart of Accounts book, written by Dr. Marsha L. Heinke.

During the last decade, the veterinary profession has continued to advance and specialize, with increasing complexity and size of veterinary practices. By necessity, practice owners seek understanding of major value drivers for profit that allow capital investment for top notch patient and client care. Reliable data benchmarking has become a key point of interest across all forms of business including veterinary practice.

These needs resulted in a concerted effort over the past several years to update the VSG chart of accounts, based on the AAHA chart as developed by Owen E. McCafferty, CPA, Inc. The goals included expanded account definitions as well as more narrowly defining the types of transactions recorded to major revenue centers and the correlating direct costs of providing services in small animal private practices.

This book is a result of intense collaboration and desire to advance veterinary practice management through sound systems of financial reporting and managerial accounting systems.

Special recognition extends to VSG’s Director of Special Projects, Dr. Paul Glouton, Veterinary Study Group’s DATALink Advisory Committee chaired by Dr. Jeff Godwin, and the data compilation advisory team at Katz, Sapper & Miller, headed by Mr. Terry O’Neil, CPA, CVA and Ms. Beth Scott, CPA, as well as for the generous financial support of Zoetis Animal Health.
Preface

Proficient financial management necessitates a sound system for methodic data collection, recording, sorting, and summarization. Such a system depends on accurate categorization of each practice financial transaction by knowledgeable and trained personnel. Veterinary practice bookkeeping systems also require a logical organization of data into reports that enhance management assessment of economic outcomes and enable projected financial targets.

Sensible use of technology further enhances financial data interpretation. The combination of off-the-shelf bookkeeping and spreadsheet software with powerful personal computer processors requires an even greater level of financial management sophistication in successful veterinary practices.

A defined listing for practice financial data organization is called a chart of accounts. This structured list of all the asset, liability, equity, income, and expense accounts provides a standardized method to categorize and record each financial transaction.

The chart of accounts provides a framework for a practice’s consistent financial reporting, so each financial period can be compared to what went before or what follows. Importantly, different practices that use the same chart of accounts in comparable ways, can contribute to data sets that allow meaningful benchmarking analysis.

Expressly designed for veterinary practices whose principals are members of Veterinary Study Groups, Inc., this chart of accounts publication presents basic guidelines for how accounts should be organized and used as a solid foundation for reliable management report generation. Resulting financial reports will be informative and helpful at three levels, at a minimum: internal practice management use, member’s study group reporting and analytics trending, and for key performance indicator generation through VMG DATALink.

Understanding accounting terminology helps communication about the financial health of your veterinary practice. To assist the user in maximizing the usefulness of this publication, it includes a glossary of selected accounting, management and financial terms. The first time a word or phrase appears in the text, it is hyperlinked to take the reader to its inclusion in the glossary with corresponding definition.
Chapter 1

A Quality Medical Record of Your Veterinary Practice’s Financial Health

Veterinarians of every stripe enjoy case dialogue found in such forums as the Veterinary Information Network (VIN). One doctor posts a description of a difficult case and colleagues ask for clarification of timelines and observations of patient response to therapy. Challenging cases can lead to long electronic narratives and thoughtful advice, especially when disease process, treatment application, and patient healing follows a course of weeks or even months.

Patient healing often depends on accurate and contemporaneously-maintained medical records of physical and laboratory findings, surgical procedures, and treatment regimens. In modern veterinary medicine, procedures can be technically difficult and pharmacy use requires knowledge and finesse. Exacting communications between colleagues mitigates misunderstandings and mistakes, and enables successful outcomes.

In on-line forums as well as the private veterinary practice, professionally-defined language and descriptive medical terminology has specific meaning, universally accepted throughout the veterinary profession. This language continues to evolve and converge, enabled by global communication through the Internet. The formulaic structure of medical records allows their interpretation by any veterinarian involved in a particular patient’s care. The recording and communication of accurate patient information is a crucial element in the medical profession.

Veterinary practice business records require the same careful organization through personnel training in their creation, maintenance, and communication. Everyone in the practice should use the same standards of detail and adherence to commonly held definitions.

If a vendor payment represents acquisition of professional equipment with useful life over many years, it should be recorded as a business asset, and not simply expensed as “professional supplies” in the year acquired. Such a bookkeeping error could be compared to recording the incorrect information about a patient. The result is information that has limited credibility for formulating a business treatment plan.
Like a detailed and accurate medical record, well-prepared **accounting** information tells a story. The record is perpetual: it spans the practice’s full life, from the day its founders’ birthed it to the most current moment. Each **transaction** is akin to a recordable medical event: from the purchase of stethoscope to the invoiced patient exam; from the first deposit to the business checking account to the associate’s purchase contract signing; from the first mortgage loan payment of principal and interest to the option-executed buy-out of leased equipment. Each heartbeat of the practice that can be measured in monetary terms becomes a recorded financial event in the practice’s history.

The intravenous administration of sedation and a progress examination are example transactions that result in parallel records: a medical notation and an invoiced charge. The medical notations are incorporated in the patient record that follows it through its life. The invoiced charge is listed in the practice’s financial records and follows it through its life.

**A Measure of Success**

If bookkeepers record similar transactions in many different ways, the record becomes unreliable and may be impossible to interpret. Everyone knows the modern acronym GIGO resulting from practice computerization: Garbage In, Garbage Out. Inconsistent and incorrect data input results in faulty, unreliable records.

On the other hand, the more exacting and detailed transaction recording, the better the overall understanding of the practice’s progress. Good accounting records are like comprehensive patient records: both allow decisions based on fact.

In modern veterinary medicine, the process of making patient care decisions based on prior data collection and its statistical analysis is known as **outcomes-based medicine**. A methodic accounting system results in **outcomes-based management** of your veterinary practice.

By consistently measuring results, you are better able to judge the outcomes of your treatment regimens. Did your protocol work, based on analysis of later results?

How do you know a patient’s long-term response to your comprehensive diabetes management protocols, unless you measure its progress with a uniform diagnostic yardstick? How do you know your implementation of fee increases resulted in the predicted outcomes?

In veterinary practice financial management, the usual yardstick is the practice itself: how do its results compare to how its health appeared last month or last year? Secondly, practice managers
compare the practice to others of a similar “breed”, such as to other general small animal practices or feline only practices.

In assessing your practice’s health over time, do you know you have accurate records from current and past periods to make a reasonable opinion? Similarly, can you reliably compare your practice’s health to another? What assurances do you have that such outside accumulations of industry data are comparable to that of your practice?

Unless all practices within a given group accumulate and report data in similar ways, comparisons can be at best suspect and at worst, dangerously misleading. To accumulate financial data in a scientifically reliable manner, the veterinary profession requires the following elements:

- A universally-accepted financial vocabulary
- A standard format for categorizing data
- Bookkeeping personnel educated in managerial accounting systems
- Bookkeeping personnel trained in use of managerial accounting tools
- Internal control systems for quality assurance, including appropriate supervision and training of all hospital personnel, not only bookkeeping personnel.

Data accumulated in a standardized, methodic and reliable manner increases management’s capability of making reasoned administrative decisions based on reported financial results. Of course, in an ideal veterinary world, every practice would use a standardized way of reporting financial results, allowing compilation of reliable industry comparables.
Chapter 2

Basic Chart of Accounts Knowledge

Measure what is measurable, and make measurable what is not yet so.

- Galilei Galileo

What is a Chart of Accounts?

A chart of accounts organizes as a list all the possible kinds of transactions a bookkeeper will need to create an accurate history of business financial activity. Each title listed on the VMGCOA-CA is called an “account”. Examples of account titles would be “Office Supplies”, “Computer Software”, and “Accounts Payable - Trade”.

The chart of accounts should be:

- Representative of the business’s industry
- Flexible, to allow customization for managerial purposes
- Organized in accord with the accounting profession’s standards
- Used in a consistent way by all personnel responsible for recording transactions
- Used in a consistent way by all businesses participating in data collection efforts for creating economic indicators and benchmarks.

How is a Chart of Accounts Organized?

A chart of accounts always lists the account titles in the following order of major transaction categories:

- Assets
- Liabilities
- Equity
- Revenues
- Expenses
In each of the assets and liabilities categories, accounts are organized from most liquid to least liquid. **Liquidity** describes how quickly an asset will be converted to **cash** or a liability will come due. **Inventory** assets are more liquid than medical equipment and vendor accounts payable more than a note payable over many years.

Chapter 3 further explains the VMG Veterinary Practice Chart of Accounts organization and structure.

**How Does Each Transaction Contribute to A Practice’s Life Story?**

Each exchange of goods, services or money results in a transaction. A transaction is measurable in monetary units. Even a promise to exchange can result in a transaction, such as when a signed contract establishes a monetary commitment.

**Financial accounting** requires methodic recording of each transaction, in accord with predefined rules. A well-trained, knowledgeable bookkeeper decides when to record and how to categorize a transaction, following these rules. These decisions are much like how a veterinary technician decides when and how to record a particular treatment.

Over time, every recorded transaction adds to the history of the practice. A transaction never goes away; its fingerprint can be found in the **permanent accounts** of the practice’s ledgers. Each asset, liability and equity account maintains an ongoing diary of transactions back to the inception of the account, many of which are established on the first day the practice begins business.

**How Does a Chart of Accounts Work?**

Every time a bookkeeper records a transaction, s/he decides which account title best describes it, in a way that creates useful management reports in a cost-efficient manner. For an unusual or unfamiliar transaction, the bookkeeper refers to the chart of accounts and account definitions as necessary to decide which account title best fits the particular transaction.

Generally, the bookkeeper dates the transaction in the records on the day it occurred. Over a specific period, say a month, all of the transactions accumulate, resulting in monetary amounts in each account.

For example, during the month:

- All veterinary fees collected and deposited are added to the business checking account.
- All invoiced veterinary services are recorded as revenues.
All employee payments made through paychecks are recorded as payroll expense, and accurately posted as gross wages to appropriate accounts reflective of job descriptions (receptionist wages, technician wages, employee veterinarian wages, etc.)

At the end of the month, the bookkeeper’s computer tallies all transactions; there could be hundreds if not thousands of them over the course of 30 days. The bookkeeper produces a variety of financial reports. Computerized bookkeeping programs give the flexibility of quick turnaround of just about any information a manager would want to evaluate.

The most common financial report produced would be the month’s profit and loss report (otherwise called a P & L, or a statement of revenues and expenses, or an income statement). All transactions the bookkeeper classed as a revenue item or as an expense are included in this report.

Another common financial report is the balance sheet, also called the statement of assets, liabilities and equity. This report shows the month end balances of all the practice’s asset, liability and equity accounts.

Each transaction’s correct coding builds a financial story, a history. The story can be fact or it can be fiction, depending on the care and importance given to consistent and accurate use of the practice’s chart of accounts.

If the bookkeeper correctly codes transactions in accord with the practice’s chart of accounts, management can rely on the reports to make sound financial decisions.

Why Should a Practice use a Standard Chart of Accounts?

Many practice managers cannot make an accurate analytic assessment of the sum total of all the activity in the course of the year. They don’t know if the financial reports accurately represent practice activity results. They may not be able to make sound decisions. The practice might be on track of financial targets or perhaps the reports give false information.

Have you ever felt that cash flow was tight? Were you quickly able to pinpoint the reasons why? Were you able to decide if the practice was making good use of capital resources to generate more money, or if underutilized assets of talent, equipment, and supplies had overextended the practice, or whether the problem was simply out of control credit policies?

Do you wonder if the practice can afford to add additional employee benefits? Can you predict the overall cost of investing in a loyal labor force?
Many significant financial decisions become nothing more than “best guesses”, unless accounting reports accurately measure the practice’s progress. The best way of measuring the practice’s progress is to compare its current period results against those of past periods, but only when they are reliable and replicable. The records should match the depletion of assets with income and profit generated over the same period.

Planned asset depletion should yield more than enough revenues and profits to replenish them, but do you know if this is really the case? Without accurate records created through a systematic process of coding transactions, a practice manager doesn’t always know the answers to these questions.

Assure you have accurate information about your practice, to know if it is on track to accomplish goals, objectives, ideals, vision, and satisfy obligations. Accounting for practice transactions using uniform standards, gives assurance that decisions are based in fact and lead to profit over time.

**What Else will a Chart of Accounts do for your Practice?**

- ✓ Result in consistent, replicable reports that present trends.
- ✓ Provide information for accurate tax reporting and other governmental requirements.
- ✓ Satisfy lenders as to the practice’s financial strength.

When practices properly implement accounting systems using an industry-defined chart of accounts, almost everything else falls into place. You gain both a consistent measurement of your practice’s economic progress over time, and a meaningful comparison of its results with other practices that use the same systems and organization. The VMG Chart of Accounts for Companion Animal Practices (VMGCOA-CA) will result in reliable, relevant data for financial decision-making.

If your practice does not properly maintain a uniform chart of accounts, then you most likely are experiencing two or more of the following scenarios:

- ✓ Your functional managers depend on their own month end reports to explain operating results and make little use of the month-end financial reporting package available on most accounting software.

- ✓ Your financial analysts are handicapped by a lack of reliable, relevant detail when performing their studies.
✓ You are frustrated by inability to benchmark against similar practices or even against your practice’s own history.

✓ The key-punch entry of ledger data into spreadsheets at month-end is a time-consuming and error-prone activity.

✓ There is a two-to-twenty day delay between the final ledger closing and the issuance of your complete month-end reports.

We recommend using the VMG Veterinary Practice Chart of Accounts for the following reasons:

✓ It promotes consistency and accuracy for your practice’s financial comparison to itself as the years go by.

✓ It promotes consistency for comparative measurement purposes within the veterinary profession as a whole.

✓ It encourages practice administrators to become familiar with the underlying structure of practice financial statements based on correct bookkeeper coding and classification.

✓ It forms the framework for organizing practice financial data of all sources.

✓ Its use results in reports that give administrators a better grasp of the practice’s current financial status and the ramification of business decisions made.

✓ It enhances practice internal control systems through support of double-entry accounting methods with affordable off-the-shelf software.

✓ It reflects the practice’s economic health by organizing, measuring and quantifying information that can then be readily compared with other practices.

✓ It results in historically reliable reports that enhance quantification of practice value during appraisal for succession purposes, buy-in, practice sale and purchase.

✓ It is an essential practice system component that reassures outside third parties about management’s attention to sound business methods, financial record reliability, and long-term economic stability.
Basic Charts of Accounts Knowledge

- It helps managers make better use of practice budgets and forecasts, by building estimates of future activity based on reliable reports of past results.

- It supports data accumulation leading to efficient creation of a large number of essential reports, including summarization for tax reporting purposes.

- It provides for detailed analysis of financial activity or very broad assessments, depending on intended user need. For example, improved tax return disclosure through increased detail appears to decrease compliance audits by government agencies.
Chapter 3

How Practice Financial Information is organized through a Chart of Accounts

The system of bookkeeping by double entry is, perhaps, the most beautiful one in the wide domain of literature or science. Were it less common, it would be the admiration of the learned world.

- Edwin T. Freedley

Management Report Organization Parallels the VMGCOA-CA

Every business uses a chart of accounts (in some form) that ultimately results in classic business financial reports, commonly known as financial statements. The two most common financial reports used by veterinary practice managers are:

✓ The Statement of Assets, Liabilities, and Owner’s Equity (also commonly referred to as the Balance Sheet\(^1\))

✓ The Statement of Revenues and Expenses (commonly called the Profit and Loss Report or, abbreviated, the P & L)

In parallel with these two reports, the chart of accounts always lists the account titles in the following order of major transaction categories:

✓ Assets
✓ Liabilities
✓ Equity

\(\text{Balance Sheet Accounts}\)

\(^{1}\) In this publication, we chose to use financial report names as commonly used in small business, including veterinary practice. The accounting profession uses very explicit language to describe and title various financial reports. Rules and regulations dictate the exact report name and each name has a very specific meaning to financial report users. The explanation of naming conventions spans beyond the purpose of this publication. For additional explanation, refer to an intermediate accounting textbook.
The Balance Sheet

Every veterinary practice has assets, liabilities and equity (equity is sometimes called “net worth”). Various types of property the practice owns are known as assets. Liabilities describe practice obligations owed to outside parties.

The difference between assets and liabilities is the amount of owners’ equity (or, owners’ capital). Thus at any particular point in time, the balance sheet is always “in balance” with the sum of owners’ equity plus liabilities equal to assets.

\[
\text{Practice Assets} = \text{Practice Liabilities} + \text{Owners’ Equity}
\]

Or, rearranged algebraically,

\[
\text{Practice Assets} - \text{Practice Liabilities} = \text{Owners’ Equity}
\]

The Profit and Loss Report

A man with a surplus can control circumstances, but a man without a surplus is controlled by them, and often has no opportunity to exercise judgment.

- Harvey Samuel Firestone (December 20, 1868 - February 7, 1938)

The profit and loss report presents total current period income (revenues) less the expenditures made to generate that income. In a pure economic accounting world, without consideration of tax issues, only the exact expenses required to produce the income on a particular day or during a particular calendar quarter would be recorded.

The total amount of revenues minus the total matching amount of expenses determines profit or loss. If revenues are more than the expenses, then profit results. If revenues are less than the expenses, then the practice shows a loss.

What if the practice invested a large sum of money or took a loan to purchase a digital x-ray system? How would you match the expense of the equipment to the revenue that will be produced by it over many financial periods?
An estimate of the useful life of the equipment is made, and a small portion of its value is expensed in each financial period. For example if the equipment is estimated to have an economic life of five years, then one-sixtieth of the purchase price would be expensed each month to record a portion of the equipment value as a reduction to revenue, and thus is included in the profit calculation.

The annual profit and loss report presents total revenues less total expenses for the practice’s fiscal year, usually the same as the calendar year. As the practice enters a new fiscal year, say January 1st, the sum total of the prior year’s revenues and expenses are recorded as an increase or decrease to the owners’ equity in the practice.

If the practice has profit, owners’ equity increases by the same amount. If the practice has a loss, owners’ equity decreases.

**Last Year Owners’ Equity + Profit = This Year’s Owner Equity**

As this recorded increase or decrease to owners’ equity occurs, all of the revenue and expense account balances from the prior fiscal year reduce to zero. With each passing day of the new fiscal year, revenues and expenses accumulate again in their various accounts, resulting in a new picture of profit or loss.

- Profit is crucial to practice longevity.
- Profit replenishes the supplies used.
- Profit lets you plan for contingencies.
- Profit leads to adequate reserves when equipment suddenly breaks and must be replaced.
- Profit allows more compensation for those deserving through effort.

Every practice should plan for profit, to have plenty of options. Management should think ahead and be proactive rather than reactive. How else can clients know the practice’s veterinarians will be there when they need them, that their pets will have care?

**Revenues – Expenses = Profit (or Loss)**

The practice depletes its assets through daily use and coverts them to expenses to match the produced revenues. The practice incurs liabilities to acquire additional assets to replenish practice needs for fueling the economic cycle.
Here is how the **accounting equation** variations look together, over any particular accounting period:

\[
\text{Assets} - \text{Liabilities} = \text{Equity} + \text{Profit} \\
\text{Assets} - \text{Liabilities} = \text{Equity} + (\text{Revenues} - \text{Expenses})
\]

**The VMGCOA-CA: A Foundation for Accurate Reports**

The VMGCOA-CA organizes each of the elements in the accounting equation that ultimately results in useful, meaningful financial management reports for easy data submission in group activities, such as the VMG online data collection and benchmarking tool, DATALink.

Assets lead the chart, followed by liabilities, then equity accounts, and then revenue and expense accounts. In each of the asset and liabilities categories, accounts are organized from most liquid to least liquid.

Liquidity describes how quickly an asset converts to cash or a liability will come due. Inventory assets are more liquid than professional equipment. The liability vendor accounts payable will require cash more quickly than a promissory note paid in periodic payments over many years.

Each account listing on the chart of accounts is numbered. From a practical standpoint, numbered accounts are efficient. Bookkeepers quickly memorize the accounts they use most frequently, such as surgical supplies or laboratory referral expense, and use the number to code vendor invoices and other transactions before posting them to the electronic ledger.

**Assets – VMGCOA-CA Numbers 1000 through 2999**

The **1000** and **2000** series present the asset classes, from most liquid to least. The 1000 series mostly includes cash accounts, **cash equivalents**, **accounts receivable**, inventory on hand, and **prepaid expenses**.

The **2000** series starts with the **fixed asset** accounts. Fixed assets include equipment and other durable property that will be used in the production of income over many fiscal periods. Shorter lived fixed assets are listed first. Longer lived assets, such as buildings, are listed later. **Intangible property**, such as computer software licenses and purchased **goodwill**, are included in the 2000 series.
Account Definitions: Balance Sheet - ASSETS

**Liabilities – VMGCOA-CA Numbers 3000 through 3999**

The 3000 series reflects all of the liabilities potentially incurred by the veterinary practice. The lower numbers in the 3000 sequence represent financial obligations quickly coming due. The later numbers in the sequence are assigned to long-term liabilities, debt that will be repaid over more than a single year’s time. The current portions of long-term debt are listed in the midrange 3000 sequence.

**Equity – VMGCOA-CA Numbers 4000 through 4999**

The 4000 series of the VMGCOA-CA reflects equity. Equity is measured in terms of common stock, paid-in capital, cumulative undistributed earnings (retained earnings) or cumulative losses (accumulated losses or deficit), and stock re-acquired in treasury known as treasury shares. Equity reductions occur through draws, distributions, and dividends.

Equity accounts are named according to the practice’s chosen type of legal organizational structure: Corporation, Partnership, Proprietorship, Limited Liability Company, etc. The VMGCOA-CA allows bookkeeper modification of equity account names, to conform to practice needs.

**Revenues – VMGCOA-CA Numbers 5000 through 5999**

The 5000 series of the VMGCOA-CA organizes all accounts reflecting operating income streams: fee revenues from services and revenues from the sale of product. Miscellaneous sources of non-operating income, such as revenues from royalties, refunds, rebates, etc. are classed in later account numbers. The 5000 series captures revenues associated exclusively with the practice of veterinary medicine and ongoing related ancillary services and product sales.

**Expenses – VMGCOA-CA Numbers 6000 through 8999**

The 6000 series of the VMGCOA-CA reflects the cost of professional services: the truly consumed and expended portion of drug and professional supply inventory used up in patient care, laboratory costs, mortuary costs, and other costs directly related to the provision of patient care.

The 7000 through 8000 series encompass all costs of labor, general overhead, and facility costs known as General and Administrative Expenses.
A general and administrative expense is an asset outlay resulting in overall benefit for the entire practice, not for a specific production revenue stream such as surgery services or radiology services. For example, yellow page advertising and receptionist wages are administrative expenses. Facility maintenance and repair expenses are general in nature.

The first third of 7000 accounts list various employee wage and salary categories and related employment costs. All wages and salaries, regardless of job title, are included in general and administrative expenses.

In traditional cost accounting, the costs of employees involved in making an assembly-line product are assigned to each product to determine its profit contribution to the company. The costs related to employees who provide administrative and office skills to the company are pooled and divided among all the items made during a specific period, as overhead cost.

Veterinary practice is much different from manufacturing. Any single employee more often than not contributes to many practice activities. The associate doctor provides more than professional service in the form of patient treatment. The associate may supervise and coordinate the work of technicians, be involved in scheduling, marketing, teaching and training employees, assisting and learning from a senior doctor, and so forth. Similarly, receptionists, technicians, and other staff contribute efforts that span beyond the exclusive provision of animal care services.

The VMG Companion Animal Practice Chart of Accounts organizes labor-related accounts, with emphasis on a general contribution basis, rather than assigning labor costs to a particular revenue stream or origin. Since most employees’ time crosses between various patient services and to administrative tasks and back again, assigning all wages to the general and administrative cost pool is a workable solution for individual practice accounting and analysis, as well as between practices.

Larger practices will likely evaluate labor costs relative to revenue streams to better gauge efficiency and profitability of various departments, such as surgery, internal medicine, and other specialties or special-interests. Use of departmental accounting can provide necessary analytics in these more complex, larger practices with narrowed job functions by each employee.

Other general and administrative expenses that support the complete health of the practice include office supply costs, postage, repair and maintenance costs, telephone, utilities, rent, continuing education costs, bank charges, real estate rental, and accounting services.

The VMGCOA-CA structure optimizes its usefulness to the entire profession, to create databases of multiple practice results that have the greatest value to the largest number of participants.
Other Revenues and Expenses – VMGCOA-CA Numbers 9000 through 9999

The **90000** series has limited use for recording non-operating revenues and expenses, corporate income taxes and infrequent or extraordinary transactions. The **90000 series** includes accounts for interest revenues, **interest expense**, insurance proceeds from casualty losses, and infrequent extraordinary items such as a gain or loss on the sale of practice property, like used vehicles and professional equipment retirement.

In summary, the VMGCOA-CA general category numbers are:

- 1000 Assets
- 3000 Liabilities
- 4000 Owners’ or Stockholders’ Equity
- 5000 Revenues from Operations
- 6000 Cost of Professional Services
- 7000 General and Administrative Expenses
- 9000 Other Revenues and Expenses
Chapter 4

The VMG Chart of Accounts for Companion Animal Practice:

Account Definitions

**BALANCE SHEET ACCOUNTS**

**ASSETS**

Asset categories represent all practice resources, measurable in monetary terms. The practice owns these resources, and uses them to provide veterinary professional services and make ancillary sales, such as dispensed pharmacy product, for a profit. Profit then becomes new surplus earnings available for reinvestment in more practice assets to provide more services.

In the simplest of terms, assets are what the practice owns. In the simplest context, “it takes money to make money”.

**Asset Account Series 1000 through 2999**

These accounts fall into three series:

- 1000 – 1999  Current Assets
- 2000 – 2499  Fixed Assets
- 2500 – 2999  Other Assets

**Current Assets Account Series 1000 – 1999**

During a single operating cycle (one year), the practice reasonably expects to convert assets to cash, sell them, or use them up. These quickly depleted assets are called current assets.

Current assets generally include cash and cash equivalents, accounts receivable, pharmacy inventories and professional supplies, and prepaid items benefiting the immediate future economic period.
1010 Petty Cash

Petty cash is the amount of ready cash that the practice keeps available on premises for incidental needs. Examples of petty cash uses include reimbursement to employees for out-of-pocket purchases of office supplies and postage.

The correct way to handle petty cash is to establish a petty cash fund. A single employee takes responsibility for the fund, as its “Banker”. When an emergency purchase is required, an employee asks the practice’s Petty Cash Banker for money. After making the purchase, the employee promptly returns the purchase receipt and correct change to the banker.

The Banker’s petty cash fund is always in balance: total cash plus total receipts at any given time equals the imprest amount, specifically, the original petty cash starting amount. Typical imprest petty cash fund amounts are $100, $200 or $300, depending on the veterinary practice’s size and extent of company credit card use as a substitute for petty cash funds.

Example: The petty cash fund amount of $100 is approved by management.

1. To establish the petty cash account, the practice’s treasurer writes a $100 check to the designated Petty Cash Banker. The Banker cashes the check and puts the cash in a petty cash box. The Banker is responsible for the box’s security.

2. A doctor needs duct tape and permanent markers. The Petty Cash Banker gives a technician $20 to purchase the items. The Banker prepares a voucher for $20, which the tech signs.

3. The tech makes the purchases for $7.98 and returns the receipt and change to the Banker. The Banker returns the receipt and change to the petty cash box.

4. The petty cash box now contains $92.02 in cash and $7.98 in receipts.

5. The petty cash box contains the equivalent of $100.00 at all times.

6. When cash runs low, the Petty Cash Banker submits an accounting of all the receipts in the box to the bookkeeper. The bookkeeper writes a check to the Banker for the total of the submitted receipts. The treasurer signs it.

7. After the Banker cashes the check, the petty cash box again contains exactly $100.00 in cash.
8. **The bookkeeper codes the replenishment check according to the expenditures made.** Say the Banker submitted receipts for $55.50 of postage and $26.20 for miscellaneous hospital supplies, including the duct tape and markers. The bookkeeper writes the Banker a check for $81.70, and of it, she codes $55.50 as postage expense and $26.20 of it as hospital supplies.

9. **The bookkeeper only records the initial check of $100.00 to the petty cash account. She writes all subsequent checks in amounts that will replenish petty cash to a total of $100.00 exactly, with the amount coded to the expense accounts the petty cash supplied.**

10. **When the practice treasurer decides the Banker requires a greater amount of petty cash funds (replenishment needs to occur greater than once per month), the treasurer writes a check to the Banker to increase the amount, say by $100. The bookkeeper codes the check to petty cash. The Banker cashes the check and deposits the funds to her box. Now the total amount in the box and on the books in account #1010 equals $200.00.**

### 1020 Cash in Daily Drawer

The cash drawer represents the amount of cash on hand to provide change to clients, who are making cash purchases of services and retail items, or are settling the balances of their accounts. Like the petty cash account, this account should maintain a fixed balance. The practice cashier reconciles the account at each day’s end. The bank deposit includes all cash in excess of the fixed drawer amount. This bank deposit amount should exactly equal the cash receipts the cashier collected through the day.

*TIP: High traffic practices may have several cashiers on shift at the same time. If so, assign each cashier a separate cash drawer that becomes his sole responsibility to balance at his shift’s end.*

### 1030 Undeposited Funds

The Undeposited Funds account records client payments and other receipts on premises or otherwise under practice control, and not yet deposited to the bank. At the business day’s close, the bookkeeper reduces the account by the payments included in the bank deposit.
TIP: Make bank deposits every day, without exception. The total daily bank deposits should equal the grand total collection amount as reported through the practice management software. Most practices will not show a balance in this account.

1050 Primary Business Checking Account

The chief operating bank account used for daily fee collection deposits and for paying bills.

TIP: This account should always be promptly reconciled as soon as the end-of-month bank statement is available. A proficient bookkeeper who has limited rights to download account activity from the bank’s internet portal will be able to turn around a complete reconciliation on the first work day of the subsequent month.

TIP 2: The practice’s treasurer (an officer who is usually an owner and who is not also functioning as the bookkeeper) should always receive the unopened bank statement and cancelled checks to review before giving the statement to the bookkeeper for account reconciliation. Otherwise, the treasurer can log into the bank’s internet portal and retrieve these records and review them.

TIP 3: With digital technology, ALL records are easy to alter in undetectable ways. Practice officers should be diligent in maintaining protocols that assure they obtain and review original, vital practice documentation that has not passed through personnel who might disguise malfeasance through record tampering.

1060 Secondary Checking Account

Many practices maintain more than one checking account, such as an account for payroll or an account that reflects the activity of a second practice location.

Assign each checking account its own chronologic number in the VMGCOA-CA.

TIP: Treasurers of larger practices may maintain accounts in several regulated institutions so as not to exceed FDIC insured limits per depositor (permanently set at $250,000, beginning in 2014).

TIP 2: Practices that use PayPal as a means for client remittance of outstanding balances owed to the practice and/or for internet pharmacy sales, should set up an account in the COA, that is routinely reconciled like any bank account. PayPal accounts
are comparable to a checking account, although not FDIC insured. Set up protocols to transfer PayPal funds to the practice’s primary checking account on a regular basis.

1150  Savings Account

In general, a practice savings account serves as an interest-bearing repository of reserve funds for working-capital requirements or for planned investments or commitments such as employee retirement funding.

*TIP: A good rule of thumb for average daily working capital requirements is 1.5% of annual gross revenues. For example, a practice grossing $1 million dollars would require an average daily bank balance of $15,000 to meet its obligations as they come due, such as biweekly payroll.*

1200  Certificates of Deposit

Record investments in certificate of deposits to this account. Interest earned on investments will be recorded in the 9050 account for interest revenues either at the time the interest is received (cash basis accounting) or when the right to it is earned (accrual basis accounting).

1250  Money Market Account

Either a commercial bank’s account or a brokerage-held account, a practice money market account provides another interest-bearing option for reserving funds to meet working capital needs or for future practice commitments.

1300  Accounts Receivable

The account used for recording client-owed amounts for veterinary services and ancillary purchases. A “control account”, Accounts Receivable sums up individual client account balances maintained in a subsidiary ledger. Although all practices maintain the accounts receivable subsidiary ledger to monitor and collect outstanding amounts owed by clients, only accrual-based financial statements formally disclose the total accounts receivable balance in the balance sheet report.

*TIP: The subsidiary accounts receivable ledger is automated through the practice production software (veterinary practice information management software, or VPIMS). Client payments in full are generally applied at time of service as client invoices are closed, with no receivable balance resulting. If the invoice is only paid in part or not at
all, a client balance is maintained in the VPIMS until the time the client makes remittance
and payment is applied to bring the balance to zero, including any finance or other
charges that have accrued.

TIP 2: If clients make deposits for future services, such as when hospitalizing a pet for
extensive care or surgery, the accounts receivable balance for that client will carry a
credit balance, until the point invoiced services occur. At least annually, the credit
balances should be examined to determine if refund should be made of unused amounts.
There is usually a legal requirement for practices to send “Unclaimed” client funds to
the state government.

TIP 3: Practice wellness plans often provide a package of services that clients pay
through a set monthly amount. Design a monthly process for how these services and
payments are recognized and recorded in the VPIMS, and the general ledger entries
required to reconcile the VPIMS subsidiary records to the general ledger. The timing of
services contracted, services given, and payments received will all be different, so
wellness plans do put an extra burden on the bookkeeper to record earned income, client-
paid income, and client credit balances correctly, into the right financial periods.

TIP 4: At least once a month, the practice bookkeeper should reconcile the total client
accounts receivable balance, fees charged and fees collected as reported in the VPIMS
against fees as reported in the bookkeeping software.

1350 Drugs and Medical Supply Inventory

For VMG DATALink purposes, inventory value should be a reasonable approximation of drugs
on hand (at acquisition cost) at quarterly reporting dates, including partial packages. Exact
counts and value are not mandatory; however, from an internal control perspective, it is
reasonable to expect that well-run veterinary practices will have a good approximation of high
value pharmacy items, counts of what is on hand and correlating cost via a regularly maintained
VPIMS system. Typically, practices do not include white goods in the inventory value.

You may need to adjust your inventory cost if you are entering the cost as list price rather than
discounted price for markup purposes which is the optimum system for recording cost of products
in your VPIMS.
VMG strongly recommends practices enter inventory received at list price rather than discounted price. This will enable the practice to utilize the markup module within the software to maintain a constant markup when list prices change.

However, when the practice’s software determines inventory on hand it will calculate the inventory at the values entered (list price) which will inflate the value of the practice’s actual inventory cost reported in the software report. Unless the practice is using the intelligent inventory module which allows the practice to track both actual discounted cost and list price there is no way to know true inventory cost from the software. The practice’s actual cost of inventory will be inflated 5 to 10% more than actual acquisition cost. It is OK to report inventory for DATALink at the list price cost as reported in the practices software.

The main need to have actual acquisition cost would be to report on the practice’s annual property or income tax returns and the financial statements for the value of inventory and direct costs.

For larger complex practices, the Chief Financial Officer may direct advanced accounting of inventory into segregated subcategories, such as dispensing pharmacy inventory, surgery supply inventory, and so forth.

**TIP:** The practice production software (VPIMS) can and should function as an effective inventory subsidiary account for departmental inventories, without the bookkeeper having to resort to redundant and more detailed accounting through QuickBooks® or other general ledger software. Of course, reliance on the practice-management-software inventory module requires established practice systems for maintaining it, usually overseen by the employee designated and trained as purchasing agent.

**TIP 2:** Some practice administrators may opt to account for inventories in addition to drugs and medical supplies in their general ledger. Additional inventory accounts, such as pet products held for retail and non-medical supplies like dietary product can be set up using consecutive account numbers (1351, 1352, etc.) if desired.

**TIP 3:** Generally, supplies related to administrative and overhead needs, such as office supplies, printing supplies, and janitorial supplies are not included in inventory. Rather, the bookkeeper immediately writes off such items by classing their purchase to the related expense account.

1400 Employee Advances
From time to time, the practice may make advances to employees, most often as very short-term loans against future wages. The employee generally repays the advances by authorizing the practice to deduct the owed amounts from the employee’s future paycheck(s).

The bookkeeper codes the original check for the advance to this account. In the future, the amount is withheld from the employee’s paycheck. The bookkeeper classes the withholding as an offsetting entry to this account, resulting in a zero account balance for the employee. If the practice policy allows employee advances, this account becomes the control account for a subsidiary ledger of all employee advances and re-payments.

**TIP:** Check the practice’s employee handbook for employee-advance policy. Many practices will not provide employee advances in part because of the cost for tracking amounts owed and repaid.

**TIP 2:** When employee advances will be repaid through withholding, obtain the employee’s permission and agreement in writing.

**TIP 3:** See account 1590 for information about amounts loaned that are larger than simple advances on pay, and that should be documented as a promissory note.

**1450 Advances – Officer, Shareholder, Member or Other Related Party or Principal**

This account is used to record episodic and quickly repaid personal expenditures made on behalf of officers or owners of the practice. Typical occurrences involve personal use of a company credit card. While personal expenditures should generally not occur through use of company accounts, the nature of small business is such that they will happen from time to time. Bookkeepers use this account to track such transactions. Repayment can be made through payroll withholding or principal reimbursement to the company.

**1500 Note Receivable – Officer, Shareholder, Member or Other Related Party or Principal**

Notes receivable usually reflect an interest-bearing loan of a large money amount or sale of valuable company property to an individual, with the requirement for repayment of the amount or value. If the terms of the loan provide for repayment to the practice over a period of longer than one year, then the portion to be repaid in greater than twelve months’ time is recorded in account 2600, Long Term Portion of Notes Receivable.
Account Definitions: Balance Sheet - ASSETS

Account 1500 is explicitly reserved for amounts loaned to individuals who are related to the practice through ownership rights or through fiduciary responsibility, such as a director or officer.

**TIP:** If several individuals owe money to the practice, consider establishing consecutive account numbers, so that each loan has its own account, such as account 1501, 1502, etc.

**TIP 2:** If the cumulative amount of loans between the practice and an individual equals or exceeds $10,000, a fair interest rate must be applied to compute and charge interest. The law prohibits interest-free loans whenever the total of all loans between the practice and an individual meet the $10,000 mark.

**TIP 3:** Carefully document and execute all transactions between related parties, where ownership rights and other relationship factors potentially cloud the nature of the transactions. Establish signed promissory notes, loan amortization schedules for loan repayment, and for large amounts, consider taking a security interest in personally-owned assets and filing the interest with the local governmental office, usually the County Recorder’s Office.

1590  Note Receivable – Other

Like account 1500, this account carries amounts owed to the practice, usually by non-owner employees. Occasionally, it will also include client-signed promissory notes made to the practice when the client has renegotiated large, outstanding accounts-receivable amounts for documented re-payment over time.

**TIP:** Establish separate Note Receivable account numbers in the VMGCOA-CA for each person who owes the practice money through a documented note.

**TIP 2:** Establish signed promissory notes, amortization schedules for loan repayment, and for large amounts, consider taking a security interest in personally-owned assets and filing the interest with the local governmental office, usually the county recorder’s office. Work with the practice’s accountant and attorney to assure all necessary steps are taken to protect the practice’s rights to collection and to secure non-collectible debt write-off if non-collection occurs.

1600  Prepaid Expenses (Other)
The bookkeeper can code as prepaid expenses any payments that reflect the acquisition of services that the practice will use in a future financial period. In the financial period of their use, the bookkeeper adjusts prepaid amounts as expenses and reduces the asset value of the prepaid expense account. Some examples of prepaid expenses are airline tickets and convention registration purchased for a continuing education event scheduled some months in the future; professional dues and membership payments for a future membership period; and service contracts that cover one or several years of future financial periods.

_TIP:_ Tax rules generally allow cash-basis veterinary practices to expense such payments when they are made, even though they benefit the immediate-future financial period; however, these rules can be complex, requiring evaluation of the facts and length of time the future expense covers to determine whether capitalization is necessary.

_TIP 2:_ Talk with the practice’s CPA to determine best bookkeeping methodology for recording expenses that may be deemed prepaid. Some practices choose to record all potential prepaid expenses to expense accounts. The practice’s accountant may then make periodic adjustments to properly record prepaid expenses.

### 1650 Prepaid Insurance Premiums

Insurance contracts often cover a full twelve month period, or longer. The bookkeeper tracks the portion of the contract that provides risk coverage in a future financial period by classing the correlating premium cost to this account. The prepaid insurance account includes the allocated premium cost of all insurance policy types: vehicle, professional liability, group medical, business property and casualty, and any other insurance types purchased.

At the end of each financial period, the bookkeeper adjusts the expired portion of prepaid premium, by expensing it to the appropriate insurance expense accounts. After the adjustment, the remaining premium cost recorded in account 1650 reflects the unexpired portion of all prepaid insurance contracts.

_TIP:_ Non-payment of premiums puts the practice and employees at risk. For example, a lapse of health coverage would present significant employee liability problems. The practice’s board of directors should regularly inspect documents and cancelled checks for proof of premium payment and in-force insurance contracts.

_TIP 2:_ Talk with the practice’s CPA to determine best bookkeeping methodology for recording insurance premiums, that may be deemed prepaid. Some practices choose to
Account Definitions: Balance Sheet - ASSETS

record all potential prepaid insurance premiums to expense accounts. The practice’s accountant may then make periodic adjustments to properly record the prepaid portions.

1660  Prepaid Rent

Rent is the fee paid for the practice’s use of property owned by others. When the practice makes payment for use of property that will occur in a future financial period, the bookkeeper classes the payment as prepaid rent. At the end of each financial period, the bookkeeper adjusts the expired portion of prepaid rent as rent expense; thus, the financial period’s revenues match with the rent expense reflecting use of property to facilitate those revenues’ generation.

1700  Prepaid Federal Income Tax

Only veterinary practice entities that are subject to federal income tax will use this account. Generally, only practices operating as Subchapter C corporations (C-Corp) or Personal Service Corporations (PSC) will use the Prepaid Federal Income Tax account, and, occasionally, a C-Corp or PSC that the IRS has granted permission to use the Subchapter S entity designation. The account records the portion of federal income tax that will be assessed on a future financial period’s taxable profit.

TIP: This account is not used for any payroll tax amounts.

TIP 2: Federal income tax payments such as scheduled quarterly payments related to practice owner taxes should be paid personally by the respective owner. Proprietorships or single member limited liability companies should record such payment as draws if made directly by the practice; however, it is strongly recommended that the owner take a draw and then pay the tax amount by personal check.

TIP 3: If your practice is not subject to income taxes, then consider hiding this account in the accounting software COA, so that it is not erroneously used.

1710  Prepaid State Income and/or Franchise Tax
Only veterinary practices with business entity structures requiring payment of state income taxes use the Prepaid State Income Tax account. The account records the portion of state income tax that will be assessed on taxable profit produced in a future financial period.

Some states require a franchise tax payment of veterinary practices, which may or may not be linked to profit or income.

\[ TIP:\text{ This account is not used for any payroll tax amounts.} \]

\[ TIP\,2:\text{ State income tax payments such as scheduled quarterly payments related to practice owner taxes should be paid personally by the respective owner. Proprietorships or single member limited liability companies should record such payment as draws if made directly by the practice; however, it is strongly recommended that the owner take a draw and then pay the tax amount by personal check.} \]

\[ TIP\,3:\text{ If your practice is not subject to state income taxes, then consider hiding this account. If your practice is subject to some tax variation unique to your state, then modify the account name to reflect the type of prepaid tax.} \]

1720 Prepaid Local Income Tax

Like prepaid state income tax, the Prepaid Local Income Tax account will only be used by veterinary practices which are subject to city, local, or regional tax. If not applicable to your practice, hide the account.

1800 Deposits for New Equipment

Record in this account any down payments made for equipment orders and similar assets that will be received and put in service at a future date.

\[ TIP:\text{ Equipment and other capital assets cannot be depreciated until they are put into service (that is, are installed, operational and in practice use) for the production of revenues. Adequately plan the timing of orders placed for computer systems and other equipment that will require installation time or that might be backordered, so that expected deductions for depreciation are available in the targeted tax year.} \]

1850 Construction In Progress

When the practice is renovating or expanding facility or constructing other capital assets that have not yet been put into service, payments made for the ongoing construction project are coded
here. Once the project is complete, and all costs have been accumulated, the total is reclassed to the appropriate fixed asset accounts with adequately detailed descriptions. When the building or constructed asset is put in service, depreciation can begin.

*TIP: The practice should only pay for projects for which it will eventually own. If the practice leases real estate, careful planning of loans and payment is crucial. The real estate owner should likely pay for major real estate renovation, not the practice. Discuss options with the practice’s accountant before finalizing any loan documents or decisions about who will pay for significant projects so you can account for them correctly at the very inception and through the correct business entity, and obtain the appropriate ownership and tax outcomes desired.

*TIP 2: Detailed records of construction projects help support detailed property schedules, including determination of the tax class lives of different project components. When planning a large project, talk with your accountant about the possible benefits of a cost segregation study based on detailed records.
Fixed Asset Account Series 2000 through 2499

Fixed Assets

Fixed assets represent the practice’s tangible economic resources with a useful life expectancy greater than one year. Fixed assets include equipment, furniture, buildings, building improvements, land improvements, and land. The fixed asset accounts are sequentially organized starting with the most short-lived property to that property that has a long useful life. Land is the last such-listed account, in that it theoretically possesses perpetual life.

With guidance of the practice’s engaged accountant and current tax regulations, the practice board of directors/owners should establish a written capitalization policy, which effectively guides the decision of whether to expense a small value capital asset immediately as a supply, or to capitalize it as a practice asset subject to depreciation. The capitalization policy should include all fixed asset categories.

Currently issued IRS regulations do require a written policy. A starting point for discussion and understanding the facts and circumstances of the specific practice might be five hundred dollars or so. Again, practice ownership should have the discussion with the tax accountant to determine the policy to put in writing.

In addition, the practice owners should consider how to keep appropriate records of fixed assets. Typically this is done through detailed schedules of fixed asset acquisition for depreciation and tax purposes, generally maintained by the tax accountant for the practice. When capital assets are expensed as acquired, little record of them remains other than physical presence in the practice.

The sum total fixed assets bought piece-meal (such as surgical instrumentation and small office equipment items) and expensed over many years can be significant and represent high value. This can be an important consideration when equity interests are transacted or the practice is marketed for sale. Detailed lists of ALL fixed assets can be important information.

2000 Professional Equipment

The acquisition costs of all medical, surgical, and diagnostic equipment used for service provision and revenue generation are included in this account. Examples include autoclaves and sterilization equipment; surgery and anesthetic equipment; X-ray machines and other imaging equipment such as ultrasound machines; microscopes and bench laboratory machines; and any other type of medical, patient-support, or monitoring equipment. Any item of equipment to
which the practice has title or realistically will have title through acquisition contract terms should be listed in this account.

_TIP:_ Many practices acquire professional equipment through purchase-lease agreements, otherwise known as capital leases. Accounting for equipment acquired for use through a purchase lease requires the value of the equipment be booked as a fixed asset (professional equipment would be coded to account 2000) and depreciated just as for equipment purchased outright with company funds or with a bank loan. To record the leased equipment, an equal and opposite credit entry must be made to the liability accounts for Capital Lease Obligations (Long Term Portion of Capital Lease Payable and Current Portion of Capital Lease Payable).

_TIP:_ Ask your accountant to provide a _journal entry_ that you can enter every month to estimate the write off through depreciation each of the fixed asset accounts. At the last financial period, your accountant will adjust all depreciation- and amortization-related accounts to the correct year-end balances.

### 2020 Professional Equipment – Accumulated Depreciation

Depreciation is an accounting technique that records the appropriate expense allocation in the period the fixed asset was used to generate practice revenues. Depreciation methods estimate and record the reduction in the useful value of fixed assets due to normal wear and tear, passage of time, and technologic obsolescence. At the end of the equipment’s estimated economic life, the asset should theoretically be ready for retirement and replacement with new equipment of like use.

With the passage of each financial period, the bookkeeper adjusts the estimated portion of the equipment that has been used up. To make the adjustment, she _credits_ the accumulated depreciation account correctly associated with the type of fixed asset (professional equipment, computer hardware, office equipment, etc.), and _debits_ Depreciation Expense (account 8200). The Accumulated Depreciation account expresses the sum total amount of depreciation adjustments that have been booked to date.

_TIP:_ From a pure accounting perspective, depreciation represents the practice’s very best estimate of how quickly it will use up the equipment and replace it. In reality, most practice bookkeepers record tax depreciation, which is the depreciation allowance defined by current tax law. In order to stimulate economic re-investment, Congress has set depreciation rules that provide for very rapid write off of equipment. Since a veterinary practice can immediately deduct most, if not all, of an equipment purchase in
one year, practice tax planning usually involves purchasing equipment earlier than it might otherwise be required.

TIP 2: Because veterinary practice books usually reflect accumulated tax depreciation and not accumulated economic depreciation, the net book value of fixed assets is usually very understated as compared to the true value of fixed assets in their current used condition. At any given date, the balance sheet report will show original acquisition cost of equipment less accumulated depreciation as recorded for tax purposes, which could result in a book value of zero in the year of equipment purchase.

2050 Computer Hardware

Record all purchased computer equipment in this account, including electronic office equipment such as electronic cash registers, computer peripheral equipment, modems, surge protectors, computer cabling, servers, video monitors, printers, fax machines and network copiers. As the practice takes computer equipment out of service (often due to obsolescence as much as to breakage), it should also dispose of and remove the equipment from the accounting records.

TIP: Until the practice physically disposes of equipment of any kind, it cannot remove the equipment from the accounting records. If the equipment has not yet been fully expensed, the practice normally will write off the equipment and realize a deductible loss on the undepreciated cost of the asset. In a few states, the practice is taxed on equipment that is still owned, even though it is out of service. Bottom line: get rid of equipment that will no longer be used: sell it on the Internet, donate it to a charity, or recycle it.

2060 Computer Hardware – Accumulated Depreciation

Use this account to record each depreciation adjustment made for computer equipment.

2100 Office Equipment, Furniture & Fixtures

This fixed asset account includes all non-computer office equipment acquisitions, such as phone systems, calculators, photocopiers (not computer-networked), typewriters, paper-shredders, and similar equipment. The account also includes office furnishings such as desks, filing cabinets, chairs, waiting room furniture, decor, lockers, bookcases, movable lighting fixtures, signs, and other appurtenances not permanently affixed and integral features of the building.
**TIP:** Increasingly, technologic upgrades are blurring the lines between computer and office equipment. When does a photocopier turn into computer equipment because it also serves as a network fax and printer? Telephony already integrates with computer equipment through voice-over-internet technology, eliminating the need for long distance service and eventually, stand-alone telephone systems. The practice owners working with the accountant should create guidance about what equipment is classed in which account. To a great extent, regulations defining tax depreciation guide the decision. This VMGCOA-CA has been written to group assets, reflecting current class life guidelines for tax depreciation purposes.

### 2120 Office Equipment, Furniture & Fixtures – Accumulated Depreciation

Use this account to record depreciation adjustments made to the cost of assets recorded in account 2100.

### 2150 Practice Vehicles and Related Equipment

Vehicles owned by and titled to the practice are coded in this account, and in general are used in the production of veterinary revenue (patient transport, house calls, business errands and travel). Debatable issues affecting appropriate accounting for leased vehicles dictate you seek the practice accountant’s input and advice so that regulatory compliance occurs.

Additionally, vehicles used in companion animal practice may have mixed use for personal use and commuting, as well as for the purposes of conducting veterinary business. Once business use (which does NOT include commuting) falls below 50%, special rules apply to depreciation.

The rules for vehicles, which are known for tax regulations as “Listed Assets”, are very complex. Practice owners should discuss any new vehicle acquisition with the engaged tax accountant to determine, based on the unique facts and circumstances of the vehicle’s portended use, the best way to purchase and title the vehicle. If it is determined personal ownership is best, then practice reimbursement of all documented *bona fide* business use is an excellent way to gain valid tax deductions, and reimburse the vehicle owner for gas, insurance and general wear and tear.

### 2160 Practice Vehicles – Accumulated Depreciation

All depreciation adjustments related to vehicles are recorded to this account as a credit, with the debit made to Depreciation Expense, account 8200.
2200 Leasehold/Building Improvements

Code building construction projects that upgrade and/or extend the useful life of practice-occupied buildings in this account. Integral, stationary, and permanently affixed parts of the facility, building improvements increase its value and usefulness. Improvements include renovations, additions, permanent upgrades, new roofs, and new floors. Capitalize major repairs, which add significant facility value or life expectancy, for inclusion in this account.

TIP: Modify the account title to match real estate ownership rights. If the veterinary practice leases buildings and land, then this account is correctly titled “Leasehold Improvements”. Less commonly, the veterinary practice owns the real estate; in this case, the correct account title is “Building Improvements”.

TIP 2: All costs associated with readying an asset for its full-intended use as a means to producing veterinary revenues, should be included in the total recorded cost of the asset. If practice employees build out a new treatment area, all of their wages and payroll taxes associated with construction duties are added to the costs of building materials and of any outside labor, to derive the correct total cost of building improvements, then listed in the records and subject to depreciation. This rule applies to all of the other fixed asset accounts previously listed; thus sales tax, shipping costs, labor for equipment installation, and any other costs of readying the purchased equipment for its full intended use in the practice are all added to the amount paid to the vendor for the equipment.

2220 Leasehold/Building Improvements – Accumulated Depreciation

Post all depreciation for leasehold (or building) improvements in this account.

2300 Buildings

When the veterinary practice owns real property, it owns the buildings that are part of its rights in real property use. Record any costs of buildings to which the practice holds ownership title in this account.

TIP: Real estate holdings include both wasting and non-wasting assets. Wasting assets are used up over time. A building is a wasting asset; without regular maintenance and care, a building eventually becomes uninhabitable. Land is a non-wasting asset. In general, it requires nothing to maintain and may have increased value over time. When purchasing real estate, either by the practice or in a separate entity that will lease the real estate to the practice, it is very important to establish the value of wasting assets.
(different buildings and structures) separate and distinct from portion of purchase price attributable to non-wasting assets (land). Wasting assets can be depreciated (a small deduction allowed each year); non-wasting assets cannot be depreciated.

2320 Buildings – Accumulated Depreciation

All building depreciation expense should be reflected in this account.

2350 Land Improvements

Improvements made to land owned or leased by the practice, which includes such enhancements as driveways, sidewalks, landscaping, storm drainage, utilities, and septic systems.

2360 Land Improvements – Accumulated Depreciation

All depreciation expense for land improvements is recorded here.

2400 Land

Record in this account the cost of any land purchased by the practice, to which it takes title (an estate in real property). As a non-wasting asset, land is not depreciated. As such, no accumulated depreciation account exists for this fixed asset.

2450 Accumulated Depreciation

This is a general “catch-all” account for use in recording accumulated depreciation for all depreciable assets, in the event the practice owners (or accountant) prefers not to group accumulated depreciation with its related asset classes (professional equipment, office equipment, etc.) This provides an expedited method for tracking accumulated depreciation in a single balance sheet account.

TIP: Use of accumulated depreciation accounts by fixed asset type provides detail of remaining book value of each fixed asset type. Using the 2450 account will not give this detail, only the sum total of accumulated depreciation and book value for cumulative fixed assets.
Asset Account Series 2500 through 2999

Other Assets

The following accounts represent the practice’s intangible resources or non-physical property, including software licenses, acquired goodwill, contract rights, and more. While unusual in veterinary practice, acquired patents and copyrights would be included with Other Assets.

2500 Computer Software

Computer software purchases are capitalized and recorded in this account. Often, computer software is bundled as part of a computer system purchase. The portion of the purchase price attributable to software is identified and recorded in this account. Since tax rules change about the correct way to depreciate or amortize software, speak with the practice’s accountant to decide the best way to record system purchases which include both hardware and software components.

TIP: Some software purchases and upgrades are relatively inconsequential monetary amounts. As previously stated, the practice board of directors should establish a capitalization policy, which effectively guides the decision of whether to expense a small value capital asset immediately as a supply, or to capitalize it as a practice asset subject to depreciation. The capitalization policy should include all fixed asset categories, not just software acquisitions.

2510 Computer Software – Accumulated Amortization

The value of software is in its license rights conferred through purchase. As such, software is correctly described as an intangible asset, and the term amortization correctly describes its write-off over its useful economic life, rather than the term depreciation. For capitalized computer software costs, record accumulated amortization expense in this account as a credit, with an equal debit to Amortization Expense, account 8250.

2520 Goodwill

Goodwill recorded in the practice books depends on the fact of a transaction involving goodwill acquisition at some time in the entity’s history. Goodwill represents the amount paid for an existing practice entity (target) that is in excess of the target’s other assets at the time of purchase. This account is only used for recording the purchase of preexisting goodwill from another entity.
TIP: When another practice’s assets are purchased for an agreed upon price, the next step is to assign a portion of the price to each asset class. Asset classes are defined by tax law and include groups such as personal property, buildings, land, and intangibles. In this process of asset allocation, a value is stipulated and agreed upon for each asset type, until only one asset remains: goodwill. Whatever portion of the purchase price is left after allocation of purchase price to other assets, is assigned to goodwill. Once, this was a critical issue, as tax law prohibited goodwill write-off through amortization; therefore, no deduction could be taken for it. Current law allows goodwill amortization over fifteen years, equating to a tax deduction of 1/15 of goodwill value each year.

2530  Goodwill – Accumulated Amortization

The cost of goodwill and other intangible assets would ideally be amortized over the useful life of the asset, to match usefulness with revenue production. Tax laws dictate amortization lives that may be different from useful life. Your accountant can advise you in determining the correct procedures for intangible amortization. This account reflects the total amortization expensed to date.

2560  Covenant Not to Compete

When purchasing a practice from a prior owner, the new owner has a reasonable expectation that the prior owner will no longer offer services in the area in competition with the new owner. In most cases, the buyer and seller strike a legal agreement, commonly called a covenant not to compete. This document represents an intangible asset and has a definite useful life: the time span the prior owner promises not to compete. The negotiated price assigned to the covenant not to compete in the course of allocating the total practice purchase is recorded in this account.

TIP: Bookkeepers and accountants rely on the final, signed practice sale-purchase documents to record asset values subsequent to the practice purchase. Attorneys are crucial to assuring appropriate value is allocated to the covenant not to compete, which will be a component of the final practice purchase contract.

2570  Covenant Not to Compete – Accumulated Amortization

In accord with current tax law, amortize the price assigned to the covenant not to compete over fifteen years, just like goodwill. The stated economic life of the covenant may be much less, often only three to ten years. Your accountant can advise you about the correct procedures for intangible amortization. This account reflects the total amortization expensed to date, usually in accord with tax law and generally not matching the agreed period of non-competition.
2580 Organizational & Startup Costs

Costs related to veterinary practice start up and organization are capitalized and recorded to this account, including legal, accounting, site selection, appraisals, and any other fees incurred prior to the actual opening of the doors for business.

TIP: When you are in the process of searching for a practice to purchase or are starting up a practice from scratch, keep contemporaneous and detailed accounting records of all related expenses, including receipts supporting the costs. For example, mileage driving to other practices to research their set up, meal expenses, attorney fees, permit fees, and many other expenditures occur before the first day of business. All of these previously made practice-related costs must be captured from the records so they can be capitalized and deductions taken for them in accord with tax law.

TIP 2: Tax law defines subtle but distinct differences between organizational costs and start-up costs. Your accountant will assist your accounting for and election of amortization of these two cost types associated with starting a practice, which we have included together in this one account.

2590 Organizational and Startup Costs – Accumulated Amortization

The total of amortization expenses recorded for organization and start-up is recorded in this account.

2599 Accumulated Amortization

This is a general “catch-all” account for use in recording accumulated amortization for all intangible and amortizable assets, in the event the practice owners (or accountant) prefers not to group accumulated amortization with its related asset classes (goodwill, organizational costs, etc.) This provides an expedited method for tracking accumulated amortization in a single balance sheet account.

TIP: Use of accumulated amortization accounts by intangible asset type provides detail of remaining book value of each intangible asset type. Using the 2599 account will not give this detail, only the sum total of accumulated amortization and book value for cumulative amortizable assets.
2600  Note Receivable, Long Term Portion Less Current Portion

This account reflects the principle portion of promissory notes and secured notes for which receipt occurs at greater than twelve months from the balance sheet date. Adjust the note’s current portion, that is, the principal amount receivable in 12 months or less, in accounts 1450 or 1500.

2700  Refundable Deposits (Rent, Utilities, Etc.)

Use this account to record the amount of refundable deposits made at the initiation of a service, such as utilities. If the deposit is non-refundable, then it should be expensed when the expenditure occurred.

_TIP_: Use account 1800 for recording deposits made relative to an asset acquisition that will be physically received in a future financial period. Record fee revenue deposits in the appropriate 5000 account for revenue capture.

2850  Cash Surrender Value Life Insurance Policies

The cash value of any practice-owned life insurance policy is reflected here.

_TIP_: Before executing life insurance policies, discuss their intended purposes with the practice accountant and attorney. Life insurance is purchased for different reasons, which will determine who should own the policy, whose life the insurance covers, and who are the beneficiaries of the policy, in addition to determining who should pay the policy premiums.

_TIP 2_: Give copies of all active insurance policies related to the practice and its owners to the practice accountant to assure they are accounted for in the correct manner. Be careful to determine which premium payments the practice should make and which policies require payment by others as this can be crucial to the eventual tax treatment of policy proceeds.
LIABILITIES

Liabilities are present obligations resulting from past transactions that require the practice to pay money, provide goods, or perform services in the future.

These accounts fall into two series:

3000 – 3599  Current Liabilities  
3600 – 3999  Long Term Liabilities

Current Liabilities Account Series 3000 through 3599

Current liabilities refer to those obligations reasonably expected to be paid within one year. These debts generally include notes payable that are due in less than 12 months, trade accounts payable, income taxes payable, and accrued expenses, such as salaries and interest payable. The current portion of any long-term debt is presented as a current liability.

Current liabilities are further divided as into the following series:

3000 – 3099  Current Liabilities – General  
3100 – 3399  Employee, Payroll & Benefit Liabilities  
3400 – 3599  Other Tax Liabilities

3000 – 3099 Account Series Current Liabilities – General

3000  Accounts Payable – Trade

Code amounts owed to vendors for purchases made on credit. Such purchases are made to acquire the supplies, services, and materials needed for the practice of veterinary medicine. This account is a control account for a subsidiary ledger of each vendor, the amounts owed to that vendor, and aged amount of the payable (showing whether the payable amounts are current, or represent credit purchases that occurred 30, 60, 90, or more days in the past).

TIP: Although the accounts payable balance is not presented on cash-basis balance sheets, the liability for payment truly exists and is important financial information for any practice owner to have at his or her fingertips. We strongly recommend that bookkeepers maintain accurate accounts payable information in the bookkeeping program, regardless of the practice’s basis of accounting for income tax purposes. The most useful managerial reports are maintained on the accrual basis of accounting.
3010 - 3015  Credit Cards Payable

This account represents all purchases made through the use of a credit card.

**TIP:** Establish a separate account for each credit card used for practice purchases. Reconcile each credit card account’s activity to its monthly statement, just as the monthly bank statement is reconciled to the book activity.

**TIP 2:** Don’t commingle personal and practice expenditures on the same card and account. Once a card is designated for business use, keep it that way. Owners should obtain separate credit card accounts for personal use.

**TIP 3:** When making both personal and business purchases at the same establishment at the same time, two transactions should be processed. Give the cashier the personal card to close out the tab for personal items and close a second receipt with the business card. Shopping trips to warehouse stores are a good example of when the cashier should run double or even triple tickets to create a clear audit trail of who bought what.

**TIP 4:** The board of directors should establish policy wherein each person with control of a company credit card is responsible for prompt submission of credit card receipts for purchases made using the card.

**TIP 5:** When employees (including doctors) use business credit cards for practice travel and meal expense, the employee should immediately record the particulars of the charge on the receipt, including details of the individuals in attendance, the business purpose of the meal or trip, and the business matters discussed.

**TIP 6:** In the ideal internal control environment, the bookkeeper should record each credit card use as a separate transaction using the date of the transaction, just as every written check is a single posted transaction.

3020  Line of Credit

A line of credit is a credit instrument issued by a bank or other lender for short-term capital needs of a year or less. A credit line is usually “revolving” for the contracted period: it can be drawn on, repaid, and drawn on again. The balance in this account represents total amount outstanding on the line of credit at any one time.
**TIP:** Plan ahead for the date the line of credit must be paid in full. The practice should have the financial means readily available to assure the credit line can be retired at its due date, and/or have negotiated for its renewal.

### 3030 Current Portion of Long Term Notes Payable

Practice debt contracted for payment over a period greater than one year is posted to two accounts. Record the loan principal portion due in less than twelve months to this account. Account for the principal portions of loans due in greater than twelve months in the 3800 series. Adjustments to long- and short-term portions are typically made at the end of the accounting period.

**TIP:** Establish two accounts for each loan with a repayment term of greater than one year. Match the account numbers for ease of reference such as 3030 for the short-term part and 3830 for the long-term part for loan one, and 3031 for the short-term part and 3831 for the long-term part for loan two, and so on.

### 3040 Current Portion of Capital Leases Payable

Record long-term capital leases like any long-term debt: into the current portion and the long-term portion. Use the current portion account to record the principal portion of lease payment due within one year. Long term portions are recorded to account 3840.

**TIP:** Before signing a purchase lease contract, ask for all of the terms of the agreement, including the price of simply purchasing the equipment outright. Provide the terms to the practice’s accountant to find out the true cost of leasing the equipment as compared to purchasing it.

**TIP 2:** As with notes payable, establish two accounts for each capital lease with a repayment term of greater than one year. Match the account numbers for ease of reference such as 3040 for the short-term part and 3840 for the long-term part for lease one and 3041 for the short-term part and 3841 for the long-term part for lease two.

### 3050 Loan Payable – Officer, Shareholder, Member, or Other Related Party

An officer or owner may loan money to the practice from time to time. This account represents the amount owed to the related party that will be repaid within one year. If the loan will extend
beyond twelve months, then the loan should be accounted for as to the long-term and short-term portions.

*TIP: See the tips listed for account 1500, Note Receivable – Officer, Shareholder, Member, or Other Related Party. Follow the same rules for careful documentation of the terms and nature of the loan, so as to protect the desired tax treatment of it. Revenue agents carefully scrutinize transactions between related parties.*

**3100-3399 Account Series Employee, Payroll, & Benefit Liabilities**

The 3100-3399 account series within current liabilities is designated for employee- and payroll-related liabilities.

Payroll liabilities are subdivided into the following account series:

- 3100 – 3199 Payroll Liabilities – Employer Obligation Funds
- 3200 – 3399 Payroll Liabilities – Employee Trust Funds

**3110 Employer FICA Tax Payable**

FICA tax consists of Medicare and OASDI (Old Age, Survivors, and Disability Insurance). The employer’s FICA obligation (usually matches to account 3220 and 3230, the FICA taxes withheld from employee wages) is recorded here, as the amount that must be remitted to the IRS coincident with the remittance of FICA payroll tax withholding from employee wages for a recently paid payroll.

**3120 Federal Unemployment Tax Payable**

This account carries the balance of federal unemployment tax accrued on previously paid wages but not yet paid to the IRS.

**3130 State Unemployment Tax Payable**

This account reflects state unemployment tax accrued on previously paid wages but not yet paid to the state agency.
3140  Workers Compensation Payable

This account reflects workers compensation premiums payable but not yet remitted to the insurer. Workers compensation premium cost is considered a tax (rather than insurance) by many accountants, as it is not a voluntary payment but a legally mandated one when an employer has employees.

3150  Accrued Payroll and Bonuses

The value of employee work time that has occurred but the practice will not pay until the next payroll date is said to be accrued. The practice incurs a liability to pay the employee for his or her time, but the pay period has not yet completely run, so is not due for payment. For accrual-based practices, this account generally carries a balance at the fiscal year end, when workers have wages due to them for hours worked, that the practice will not pay until the pay date falling in the first or second week of the following year. The value of any holiday, personal, or sick time earned by employees and not yet paid is also carried in this account. Cash basis practices will generally not use this account.

3155  Accrued Vacation and Paid Time Off

The value of employee-earned paid time off in accord with company policies that has been earned but the practice will not pay until some future date. For practice policy that allows accrual of earned paid time off with no expiration date, such as not used by the end of the calendar year ("Use it or lose it"), the accrued liability owed to employees can become a significant liability. Employer payroll taxes associated with the accrued value of paid time off can also be significant in these situations, and should be computed and recorded to account 3160 – Accrued (Employer) Payroll Taxes.

3160  Accrued Payroll Taxes

This account carries the outstanding balance of employer payroll tax obligations associated with accrued wages (account 3150) and accrued paid time off (account 3155). It generally includes only the employer’s portion of FICA tax, federal unemployment tax, and state unemployment tax associated with accrued wages and salary obligations. Like accrued payroll, generally only accrual based accounting method companies use this account.
3170  **Employer Retirement Plan Contribution Payable**

This account carries the balance of previously committed, but not yet paid, contributions to the employer-sponsored retirement plan in accord with the plan document’s requirements. Many plans allow the employer to take a deduction for the committed amount in the year to which it pertains, whether paid or not, and regardless of whether the practice is cash or accrual based for tax purposes. The practice generally has until the extended due date of the federal tax return to pay the funding obligation.

3200–3299 **Account Series Employee Payroll and Benefit Liabilities**

Employee payroll tax liability accounts are used to record amounts withheld by law from the employees’ wages. These amounts are often referred to as trust funds, funds that are held in trust by a trustee (various government agencies, for example), for the future benefit of the employee.

3210  **Federal Income Tax Withholding Payable**

This account carries the balance of federal income tax withheld from employee wages that has not yet been paid to the IRS. The federal income taxes withheld and remitted by the employer on the employee’s behalf do not belong to the employer. The employer functions as an agent of the government to assure the timely remittance of employee tax payments through forced withholding by the employer.

3220  **Social Security Tax Withholding Payable**

This account records the balance of Social Security tax withheld from employee wages and salary payments, which the practice has not yet remitted to the IRS. As of the practice’s year-end date, any outstanding amounts withheld from wages and not yet paid are presented, both for accrual and cash based practices. Social Security is a trust fund tax.

3230  **Medicare Tax Withholding Payable**

This account records the balance of Medicare tax withheld from employee wages and salary payments, which the practice has not yet remitted to the IRS. As of the practice’s year-end date, any outstanding amounts withheld from wages and not yet paid are presented, both for accrual and cash based practices. As with Social Security, Medicare is a trust fund tax.
3240  State Income Tax Withholding Payable

Similar to federal income tax withholding regulations, each state which taxes its residents on income requires the employer to enforce employee tax payment by functioning as an agent to hold back the required portion of wages as tax and submit the amount to the state in accord with its filing requirements.

3250  City Income Tax Withholding Payable

Like federal and state income tax withholding, some cities and/or regions also tax resident and/or worker income. City or regional income tax may be based on where the employee works and/or where the employee lives. The employer must withhold the prescribed amount from the employee’s wages and submit the tax amounts in accord with mandated filing deadlines. The employer has no rights to the amounts withheld from employee wages, for payment as local taxes. The employer is an agent for the government, to assure timely worker tax payment on earned income.

3260  Employee Garnishment Payable

From time to time, some employees will experience court-ordered wage withholdings that are designated for use by some agency. In accord with the court order, the practice withholds the required amount and forwards it to the requisite agency on the employee’s behalf. The balance carried in this account represents all withholdings not yet remitted to the agencies.

3270  Health Insurance Premium Withholding Payable

Both accrual and cash based practice entities use this account to record the obligation for submission of employee withholdings for health insurance premiums. The balance of funds withheld from employee wages which the employer has not yet remitted for payment of the practice’s group health insurance premiums is recorded in this account.

3280  Retirement Plan Withholding Payable

Both accrual and cash based practice entities use this account to record the obligation for submission of employee-designated retirement funding. The employee advises the employer at prescribed times about the wage amount (deferred taxable compensation) the employee wishes the employer to withhold and deposit to his or her designated retirement funds. The balance of funds withheld from employee wages which the employer has not yet deposited with the
Account Definitions: Balance Sheet - LIABILITIES

retirement fund trustee is recorded in this account. Amounts that the employer commits to retirement funding on behalf of employees are recorded to account 3170.

3290 Other Employee Withholding Payable

Code any other employer-withheld amounts from employee wages, not previously described, to this account. When the practice submits the withheld amounts to the designated payee, the account balance returns to zero.

3400-3499 Account Series Other Tax Liabilities

3400 Sales Tax Payable

Many states require businesses to collect sales tax from consumers when they make purchases. When the practice collects sales tax from its clients at point of sale, the bookkeeper credits the tax amount to this account until the time the practice remits all collected tax amounts to the state. The requirements are comparable to payroll tax withholding rules: the state requires the practice to function as its agent, by collecting the appropriate amount of tax on subject sales and remitting it to the state revenue department.

TIP: Collected sales tax is neither a revenue nor expense item; the practice simply serves as a conduit for collection and remittance of state funds.

TIP 2: Some states give a discount for timely sales tax remittance and/or for recognition of the collection time and responsibilities of the vendor. The amount of the discount should be recorded to Miscellaneous Revenue, account number 3010, when the collected sales tax amount is paid. This will result in account 3400 coming back to a zero balance with every sales tax remittance.

TIP 3: Bookkeepers should keep up to date on sales tax law, as the rules and tax rates can frequently change as to the kinds of sales (both of services and products) to which sales tax applies and must be collected from consumers.

3410 Use Tax Payable

Generally, all states that tax consumers for purchases they make (sales tax), also have rules about use tax, which will pertain to veterinary practices. The state requires “voluntary” submission of use tax on any purchases subject to sales taxation and for which the practice did not pay sales
TIP: Discuss use tax rules with your CPA. Each state’s rules are a bit different, but all can get an unwary practice into trouble. Use tax compliance is a common audit target in recent years, as states seek complete tax compliance and collection whenever laws already exist.

TIP 2: Purchases made over the internet can present another source of and reason for accounting for use tax.

3420  Real Estate Tax Payable

If the practice owns real estate or is obligated through the lease agreement to pay taxes on the real estate, post the amount due and not yet paid to this account.

3430  Personal Property Tax Payable

Some states tax the value of personal property, either tangible property or intangible property or both. Accrual-based practices use this account to record the amount due and not yet paid.

3500  Corporate Federal Income Tax Payable

Both cash-basis and accrual-basis corporations use this account to record the amount of federal income tax owed for the most recently completed tax year. In general, the account only pertains to Subchapter C Corporations and Personal Service Corporations. All other legal entity types allow taxable practice income to pass through to individual owners for reporting on their personal tax returns.

TIP: Hide this account in the VMGCOA-CA if your practice is not a C-Corporation or a Personal Service Corporation, as you will not need to use it. Don’t mistake this account for employee payroll withholding of federal income tax.

TIP: Ask your CPA to help you customize this and other VMGCOA-CA account names to reflect your practice’s tax reporting and payment requirements. Hide accounts not applicable to the practice’s area from the VMGCOA-CA to streamline it for customized use.
3510  **Corporate State Income Tax Payable**

Similar to Account 3500, Corporate Federal Income Tax Payable, this account records any practice-owed income tax at the state level that has not yet been paid.

_TIP: Don’t error by recording employee state income tax withholding amounts to this account._

3520  **Local Income Tax Payable**

Similar to Accounts 3500 and 3510, this account records any practice-owed income tax at the city, local or regional level that has not yet been paid.

_TIP: Don’t error by recording employee local income tax withholding amounts to this account._

**Long Term Liabilities Account Series 3800 through 3999**

Long term liabilities are contractually set for repayment over a period extending beyond twelve months into the future.

3800  **Long Term Portion of Loans Payable**

Record the principal portion of loans scheduled for repayment over a period greater than one year. Such loans will have terms that include a stated principal amount, monthly payment amount, and a stated interest rate. The current portion of the debt, the principal portion that will be repaid within a calendar or fiscal year, will be reported in account 3020. Most common long-term debt examples include mortgages and equipment loans with repayment schedules spanning multiple years.

3840  **Long Term Portion of Capital Lease Payable**

Also known as a purchase lease, a capital lease provides for transferred title of ownership to the lessee at the end of the lease term, usually for some bargain price such as one dollar. This account maintains the principal balance that is due in greater than twelve months from the balance sheet report date. The current portion of a capital lease is reported in account 3040.
OWNER EQUITY OR CAPITAL ACCOUNTS

Equity Account Series 4000 through 4999

The equity accounts allow the recording of all ownership interests in the veterinary practice. Equity account balances change as profits and losses accumulate, and due to capital investments, leveraging via financing, debt repayment, and withdrawals or new commitments by owners.

Many of the equity account titles reflect the type of tax entity the practice has chosen to adopt. Your accountant should help you modify the standard VMGCOA-CA so that the account names reflect the practice’s tax-entity type. Modifying the equity account titles is one of the first tasks when adopting a new chart of accounts to use in your practice.

4000 Common Stock

This account title pertains to practices functioning in any of the corporate formats. The account balance reflects the value of issued and outstanding shares of corporate stock, usually at their original stated value. This is an account that infrequently changes, so it is likely any adjustments will come from the practice’s accountant as a result of significant transaction events related to practice ownership. Often, the only transaction shown in the account occurs at the inception of the corporation when it issues shares to the first shareholders.

Other tax entity types, such as partnerships, sole proprietorships, and limited liability companies that have not elected treatment as corporations, will change the title of this account to reflect the entity type:

- Proprietorship:
  - 4000 Owner’s Capital

- Partnership:
  - 4000 Partner’s Capital – Partner One
  - 4010 Partner’s Capital – Partner Two
  - 4020 Partner’s Capital – Partner Three
  - etc.

- Limited Liability Company:
  - 4000 Member’s Capital – Member One
  - 4010 Member’s Capital – Member Two
  - 4020 Member’s Capital – Member Three
  - etc.
4100  Additional Paid In Capital

Record any capital paid by shareholders to the corporation in excess of the stated share value. Generally, this account is used very infrequently, often only at the corporation’s inception when it issues stock to the new shareholders in exchange for money and property. Any value in excess of the stated share value, which can be found in the original articles of incorporation, is recorded as additional paid in capital (commonly abbreviated APIC).

*TIP: If multiple shareholders have contributed capital to the corporation in exchange for shares of stock, it is important that separate ledgers or records be maintained to show the original contributions, dates and parties. Later corporation results and shareholder transactions require this information, the detail of which is not necessarily shown by the practice’s account listing.*

4200  Retained Earnings/(Retained Deficit)

This account reflects a practice’s accumulated profits and losses over time, which have not been distributed to owners. The account is presented separately from the Common Stock and Additional Paid In Capital accounts because it derives its balances from operational results, not from financing.

4250  Accumulated Adjustments Account

Only S corporations (or limited liability companies which have elected to report financial results as an S corporation) use this account, to reflect net shareholder basis adjustments for allocable shareholder income and distribution amounts. The account helps substantiate the limit on distributions that are not treated as dividends when a corporation has changed from being a C corporation to an S corporation sometime in its history, although separately-maintained shareholder basis records are the primary documents establishing distribution limits.

4300  Distributions/Dividends/Draws

Any dividends (Subchapter C or a personal service corporation (PSC)) or distributions (Subchapter S Corporation) are recorded here during the fiscal year. At the beginning of the subsequent fiscal year, all dividends and distributions are closed by an account adjustment to Retained Earnings/(Deficit), account 4200.
TIP: Modify the account name to reflect the type of corporation. If a C-corporation or Personal Service Corporation, the appropriate account title is “Dividends”. Change the account title to “Distributions” for a Subchapter S corporation.

TIP 2: Corporation bookkeepers must be careful to assure that the grand total of dividends or distributions by year end are pro-ratably paid exactly in proportion to shareholder interests. For example, an 80% shareholder should receive exactly 80% of any dividends or distributions paid. If not proportionate, the practice’s board of directors should be notified so that additional payments can be authorized to bring each shareholder to the correct amount by the fiscal close.

Withdrawals by members of an unincorporated entity will be booked to this account, too. Modify the account title to reflect the entity type: Owner Draws, Partner Draws, or Member Draws.

TIP: For multi-owner practices, set up a separate draw account for each owner, such as: Partner One Draws, Partner Two Draws, etc.

**4400 Common Stock/Treasury**

Treasury stock is the amount of previously issued stock subsequently redeemed and held by the corporation. This situation usually occurs when a shareholder retires from the practice and sells his shares back to the corporation rather than to another individual. When the corporation purchases its own shares from the departing shareholder, the shares are said to be in the treasury.
**REVENUE AND EXPENSE STATEMENT ACCOUNTS**

All of the remaining accounts in the VMGCOA-CA represent current fiscal-year practice activity and transactions resulting in profit or loss. Each account with posted activity during the financial period will appear in the practice’s report of revenues and expenses. In other words, these are the accounts that created the “profit and loss” report.

At the end of the tax year, all revenue and expense accounts (summatings to the net profit or net loss) will close or roll into a balance sheet equity account. As all revenue and expense accounts are brought to zero balances, the equity account goes up or down by the corresponding net profit or net loss amount. The affected equity account is either retained earnings/(deficit) or owners’ capital depending on the legal entity. At the beginning of a new fiscal year, all revenue and expense accounts start with a zero balance.

Current period veterinary practice operating revenues post to the first accounts in this section of the VMGCOA-CA: the 5000 accounts. Miscellaneous revenue transactions from other sources, such as interest earned on investments, post to the last accounts, the 9000 accounts.

Because practice production software programs (called Veterinary Practice Information Management Systems or VPIMS) provide extensive revenue center detail, a practice bookkeeping department may choose simply to post all operating revenue in a single account (5000), in QuickBooks or other bookkeeping/check-writing software.

**HOWEVER, NOTE WELL:** For an easy one-step process to enter practice quarterly data from QuickBooks reports to DATALink input fields, your bookkeeper should routinely redistribute defined VMG DATALink revenue centers from the VPIMS to QuickBooks (or other bookkeeping software.) Otherwise, you must use VPIMS reports to enter revenue detail to DATALink in accord with the VMG DATALink definitions that follow.

In this latter event, practice owners/managers will also rely on two sets of reports to interpret practice results: one from the VPIMS (revenues) and one from the bookkeeping software (grand total revenues plus expenses and other uses and origins of cash). The bookkeeping software provides the detail of expenses (assets consumed) to generate the period’s total revenue. The VPIMS production reports show detail of revenue production: what each department contributed to the whole.

When practice owners require that the bookkeeper transfer the detail of revenue centers from the practice production software to the bookkeeping software, the profit and loss statement then presents complete and pertinent financial information on a single report. Financial period results
can be easily compared with one another to spot trends, while also enabling efficient input to DATALink for benchmarking in your group and in VMG as a whole.

Practice directors must consider the cost to benefit relationship. Increasing the complexity of financial reports by assimilating more data from different sources takes time. On the other hand, if the reports will be read and consistently used to plan practice activities and strategy, the extra bookkeeping time will be worth the effort.

Additionally, practice directors may decide it is worthwhile to invest in integrating separate data bases with each other to export and import key performance data sets, if software has advanced to allow efficient and accurate workable linkage.

Another benefit comes from enhanced practice internal controls. Integrating VPIMS reports with the bookkeeping database forces monthly reconciliation of all fee related accounts, including deposits made to the bank. Discrepancies quickly become apparent, allowing investigation of reasons why.

From a management perspective, categorizing revenue by departmental sources can greatly enhance the administrator’s ability to evaluate the effectiveness of veterinary service delivery, and to make sound decisions about service offerings, marketing, and pricing.

VMG members should execute bookkeeping techniques that result in VMG defined revenues being segregated into the appropriate accounts through month-end or quarterly adjusting journal entries.

This is a relatively manageable change for most practices that becomes a routine, streamlined process once established. Most VPIMS provide mechanisms to set up service items so that services can be aggregated into different categories for specific report needs.

VMG recommends spending a day to run through and edit the entire list of VPIMS service codes to ensure that the practice’s services are properly categorized to the VMGCOA revenue centers. The practice has two options:

1. Re-categorize its existing VPIMS service listing to align with the VMGCOA primary revenue centers, or
2. Within the VPIMS, establish a secondary system of revenue categorization codes that uses the VMGCOA revenue account center definitions.
Use the latter option of secondary VPIMS service categorizations based on VMGCOA service definitions to allow monthly or quarterly reporting for DATALink purposes, while also preserving the practice’s historical revenue totals by category.

Both Avimark and Infinity provide customized VMGCOA report options which allow users to collect all the needed revenue data for DATALink report input which matches the revenue center descriptions that follow. This report can then be used to establish the revenue-redistribution adjusting journal entry in QuickBooks or other general ledger program at month or quarter end.

For creating secondary categorization codes, Avimark uses report codes. Infinity uses product types as the method of choice for secondary services segregation. Cornerstone users can use revenue centers. Please reference the VMG Connect member website under DATALink Reference Material section for detailed instructions for a Report Guide to assist in setting up your Avimark and Infinity VPIMS to capture revenue by VMG defined gl categories. For other systems, contact your VPIMS software support team to determine the secondary service classification available.

Patient Numbers/Counts

A common practice challenge is obtaining accurate counts of patient numbers and patient visits. Ideally, patient numbers (patient head counts) should only include the total number of animals treated during a date range, regardless of numbers of times seen or prescribed to.

Patient visit counts should include only the total times of patients were physically presented to the practice for services. A single patient may have multiple visits during a date range, so this count will be higher than total patient head count. Patient visit numbers should not include other transactions, such as when medications are dispensed and invoiced to a patient name without a physical visit.

Please work with your VPIMS support team to ensure correct system set up and thorough staff training to accurately report patient headcount, patient visit numbers, and thus revenue from those patient visits. The Report Documentation Guides from each of Infinity and Avimark describe how this is done. Ensure staff training to obtain accurate data for contribution to DATALink and for trending your practice over time.
Revenues from Operations Account Series 5000 through 5999

5000 · Professional Services Revenue - OVERVIEW

This account represents the general fee revenue account in QuickBooks or other bookkeeping program. Since the VPIMS reports give extensive revenue stream detail, bookkeepers often only post total daily deposit amounts to QuickBooks or similar software that will be used to reconcile checking accounts at the end of the month. In lieu of extensive segregation of revenues by department or service type on a daily basis, all revenue from veterinary practice operations can be posted to this account in the general ledger. However, lump sum collected revenue should NOT be posted to DATALink.

Many bookkeepers have a protocol wherein they code deposits to QuickBooks or other bookkeeping software (for later monthly checking account reconciliation) into major daily deposit types: Cash, Checks, VISA/MasterCard, American Express, Discover, and/or Care Credit. The typical next step would be to create an end-of-month journal entry, wherein these accounts are brought to zero and the collected revenue reassigned to the VMG Revenue Accounts in the 5000 series.

The redistribution should reflect the VMG DATALink revenue center allocation using the practice’s VPIMS report detail that aggregates revenue totals by VMG general ledger account code definitions. If revenues are not aggregated using the VMG general ledger definitions, the DATALink benchmarking reports will not be comparing the same revenue categories and may not be meaningful to your practice.

Such periodic adjustments also allow the books to reflect revenues charged and changes in accounts receivable balances in accord with full accrual accounting. Remember, the full accrual basis of accounting is strongly recommended for VMG practices, even when the cash basis is used for tax reporting purposes.

Primary account numbers in blue boldface define VMG DATALINK revenue accounts, representing major operating revenue sources. The account numbers directly following the numbers in bold refer to more detailed revenue descriptions associated with the typical, major income sources in any practice. For example, tucked under account 5100 – Pharmacy Income, account 5110 describes Injection Income, an optional level of additional detail that can be included with pharmacy income.
Remember: flexibility is a primary COA goal; numeric sequences are well spaced so that you can insert accounts to match with practice goals, doctor areas of special interest, and with the revenue center organization already present in the practice management database used for creating tickets and invoicing clients.

When your practice is represented in a Veterinary Management Group (VMG) by one of the practice owners, then it will contribute to group data collection on a quarterly basis. Major operating revenue center data to submit can be collected from the VPIMS reports (or from the general ledger reports, if it has been adjusted or exported there.)

By arranging your veterinary practice’s COA as prescribed by this book, the VMG revenue centers can be summarized in QuickBooks by the “collapsed” reporting option, which summates detailed accounts and lists only major account headings for data field input. This will ease your quarterly data submission for group reporting purposes.

The expanded version of QuickBooks reports will provide greater details that are useful for trending your own practice and drilling into the underlying data the collapsed report presents, especially when there are variances.

The more detailed revenue sub-accounts can be organized and modified in accord with the practice’s unique needs, as determined by practice owners. These needs can and will change over time, driving adaptation of accounting data collection and organization techniques through a flexible chart of accounts. Each additional account that a practice chooses to add or adapt should be set as a sub account to one of the major accounts (in bold) listed below.

**5000 · Professional Services Revenue**

Miscellaneous professional services fees not included in the following 5000 subaccounts can be coded to this account. (Please read foregoing overview of 5000).

The sum total of account 5000 plus subaccounts 5001 through 5099 are entered to DATALink field Profession Services Revenue.

**5001 Vaccine Revenue (DATALink Optional Subaccount)**

Record in this account the service fees charged and collected from administration of vaccines to immunize patients against disease.

In the event that no physical exam fee or office charge fee is collected (or? is/are bundled with the vaccination service fee), then the entire fee is reported here.
If vaccinations are given as part of an annual wellness program, the charge associated with vaccination should be recorded here if easily segregated by the VPIMS bundling option.

**5010 Exam Revenue (DATALink Optional Subaccount)**

Include outpatient exam fees and consultations, as well as nail trim procedures, anal sac expressions, and ear cleanings (not associated with grooming).

Minor outpatient treatments, poison control consultation fees, outpatient wound care, microchip implantation, and health certificates are included in this account.

More extensive diagnostic procedures completed at time of examination, such as hematology and serum chemistry tests, are coded to *laboratory revenues*, whether conducted on an inpatient or an outpatient basis.

Euthanasia services are included in this account (do not include mortuary services; see account 5050).

**5020 Hospitalization & Treatment Revenue (DATALink Optional Subaccount)**

Code fee revenues for hospitalization (day or night) and inpatient services to this account. Include fees for professional care, critical care, and nursing care. Also include oxygen administration, heat/thermal support, stomach tubing and lavage procedures, enema administration, continuous blood pressure monitoring, bandage and cast application, urinary catheter placement and maintenance, therapeutic abdominocentesis or thoracentesis procedures, inpatient non-surgical wound care, heartworm treatment support, and tattoo services.

Theriogenology services such as semen collection and preparation, insemination, obstetrical assistance, and neonatal care.

Stem cell therapy related procedures are also included here, even if conducted on an outpatient basis.

**5025 Fluid Therapy Revenue (DATALink Optional Subaccount)**

Include revenues associated with all routes and types of fluid and electrolyte support. Routes include subcutaneous (SC) and intravenous (IV) administration, and CRIs (continuous rate infusion administration). Fluid types include crystalloid and colloid solutions (Hetastarch, HES)
and blood/plasma products (including collection fees as well as those for administration). Revenues associated with set up and use of administrative supplies are included here, such as for catheter placement, fluid administration sets, fluid pump fees, monitoring, and all other income associated with SC and IV fluid therapy administration services and products.

5030  **Diagnostic Services Revenue (DATALink Optional Subaccount)**

Include fees charged for blood pressure measurement, EKG/ECG tracing procedures (including Holter monitor use), ophthalmology-related tests (tear/lacrimation testing, corneal staining procedures, intraocular pressure measurement), bone marrow aspiration procedures, water deprivation tests, Tensilon tests, CSF tap procedures, diagnostic abdominocentesis or thoracentesis procedures, and intradermal allergy testing.

5040  **Rehabilitation Revenue (DATALink Optional Subaccount)**

Include income from activities involving treadmill, swimming, core muscle conditioning, massage, and similar physiotherapeutic applications to increase muscle strength, flexibility, range of joint motion, flexibility, and mobility.

5045  **Laser Therapy Revenue (DATALink Optional Subaccount)**

This account tracks all revenues related to therapeutic laser therapy for accelerated wound healing, musculoskeletal disease modulation, and pain management applications. Alternatively, laser therapy fee revenue can be set as a sub-account to rehabilitation income, if separate tracking is desired in a practice that has an emphasis on such services. Laser therapy service revenues are generally tracked separately because of the significant investment in equipment, and management’s goal for measurement of the specific profit center related to the equipment and a relatively new modality. This category includes revenues related to laser treatment of surgical wounds to speed their healing.

5050  **Mortuary Revenue (DATALink Optional Subaccount)**

This revenue center includes fees related to cremation, burial income, and related body care services. Include fee income for sales of cemetery plots, caskets, urns, paw prints, and associated patient memorial services or products.

Euthanasia procedure fees are included in account 5010 – Exam Revenue.

5060  **Behavior Service Revenue (DATALink Optional Subaccount)**
Revenues deriving from services targeting the diagnosis and/or prevention of unacceptable companion animal behavior are coded to this account. Services include working with patients and counseling, consulting, and educating clients. Revenues can be generated by either veterinary technicians with interests in pet behavior education and client consultation, or veterinarians (special interest and/or board certified behaviorists), or both. Behavior Service income includes both services related to the prevention of behavior issues that might lead to owner-pet bond breakage (behavior wellness), or consulting services addressing the modification of existing behavior issues, such as separation anxiety, excessive vocalization, aggression, and destructive behavior.

Medications and over-the-counter products to treat behavioral issues should be included under pharmacy 5100 if FDA medication or ancillary income 5801 if OTC product.

5070  Alternative and Complementary Medicine Revenue (DATALink Optional Subaccount)

Alternative medical service revenue to include in this category, include chiropractic services, acupuncture services, homeopathy consultation, and shockwave therapy, among others.

Sale of over-the-counter alternative medicine products should be included in account 5801, OTC Products.

5095  Medical Waste Revenue (DATALink Optional Subaccount)

Include income from hazardous waste fees in this account.

5100 · Pharmacy Services Revenue – OVERVIEW

The therapeutic use, dispensing, and vending of various products can generate a significant portion of veterinary practice revenues. Vended products range from federal legend drugs (requiring administration and/or prescription by a licensed doctor of veterinary medicine) to over-the-counter oral and topical treatments that do not require a prescription. Veterinary practices often sell non-medication retail products such as collars, leashes, chew-toys, and anything else that might be related to pet care and ownership of animals. The VMG COA has been structured to distinctly segregate FDA-legend products from NON-FDA products (5800 account series).

The 5100 section organizes and summarizes revenues from veterinary drug use in patients and dispensing to clients for home use in treatment of their pets. Only FDA medications are included in the 5100 series of general ledger accounts. For non-FDA medications, see the 5800 account series.
TIP 1: Veterinary practice bookkeepers should annually discuss with practice management how the CFO wishes to track revenue, sales, and correlating expenses, which assists in treatment choice, inventory stocking decisions, and marketing and pricing strategies. Subaccounts to any of major VMG revenue accounts can be established to capture information that administrators wish to internally track to enable informed decisions.

TIP 2: Both the VPIMS and bookkeeping software provide flexibility to choose revenue tracking, expense coding, and profit centered analysis. Revisit and adapt the COA in both software platforms as needed to provide management with meaningful data compilations for monitoring results and adjusting pharmacy stocking. An example would be internally tracking pain management revenues and expenses. Dispensed pain management drug revenues could be a subaccount of 5100, with correlated drug expense coded to a subaccount of Pharmacy Department Costs, account 6100.

5100 · Pharmacy Services Revenue

This summary account can be used to include income from all FDA medication dispensed or used in the hospital and not included in one of the 5100 subaccounts that follow. (Please read foregoing overview of 5100).

The sum total of account 5100 plus subaccounts 5101 through 5199 are entered to DATALink field Pharmacy Services Revenue.

5110 · Injection Revenue (DATALink Optional Subaccount)

Revenue coded to this account includes both inpatient and outpatient injections and any associated packaging/dispensing/injection fees included in the injection fees.

Do not include income from injections for anesthetics, sedating agents, cocktails, Proheart-6®, or euthanasia.

5115 · FDA Prescription Flea/Tick Non-HW Parasite Control Revenue (DATALink Optional Subaccount)

Include fee income from FDA prescription products that prevent fleas and/or ticks, but not heartworms. Examples of product sales to record in this account include Comfortis®, Program®, NexGard® & Bravecto®.
5120  FDA Prescription HW or Combination HW/Parasite Control Revenue (DATAlink Optional Subaccount)

Include fee income from any FDA product that prevents heartworms or combination products that prevent heartworms and other internal or external parasites. Examples of product sales to record in this account include Sentinel®, Trifexis®, Heartgard®, Advantage Multi®, Revolution®, and ProHeart-6®.

5130  Internet Pharmacy Revenue (DATAlink Optional Subaccount)

Report in this account the gross revenues resulting from sales made through a practice web portal, regardless of type of product, and whether or not sales are facilitated through a subcontracted vendor (VetSource, MyVetDirect, etc.). These products are billed by the veterinary practice, but shipped directly to the client.

Optionally, internet ancillary product sales can be coded to account 5804.

5200  Dietary Product Revenue

A wide expanse of nutritional products can be sold through veterinary practices. The 5200 account series is for recording sales from products sold as pet diets or pet foods.

The sum total of account 5200 plus subaccounts 5201 through 5299 are entered to DATAlink field Dietary Product Revenue.

5201  Prescription Diet Revenue (DATAlink Optional Subaccount)

Use this account to class revenues from foods sold as medical recommendations to support patients suffering from specific diagnosed health problems.

*TIP:* while manufacturers often brand these pet foods as “prescription” diets due to formulation to manage specific disease conditions, it is not required by law that a veterinarian prescribes them; food manufacturers frequently limit their sales through veterinarians and veterinary hospitals. Check with your state to determine if your state mandates collection of sales tax for non FDA products which, if so, would mandate the practice to charge and submit sales tax on therapeutic diet revenue.

5202  Non-Prescription Diet Revenue (DATAlink Optional Subaccount)
Sales revenues from foods labeled as wellness/maintenance diet, pediatric diet or traditional pet food, and WITHOUT a specific therapeutic dietary formulation for a diagnosed medical health problem are coded here.

**5300 · Laboratory Services Revenue**

Laboratory income derives from testing procedures conducted on bodily tissues and fluids, to detect, identify, or quantify one or more significant substances, evaluate organ functions, or establish the nature of a condition or disease.

Currently, the sum total of account 5300 plus subaccounts 5301 through 5399 are entered to DATALink field Laboratory Services Revenue.

VMG strongly recommends segregating revenues derived from reference laboratory tests from revenues derived from in-house testing. Laboratory revenues are an increasing value-driver, and DATALink will eventually request separate submission of revenue and correlating expense data for these two points of origination.

**5301 In-House Lab Revenue (currently DATALink Optional Subaccount)**

Income assigned to in-house laboratory includes any pre-surgical operatory tests, CBCs (complete blood counts), serum/blood chemistries, urinalyses, fecal analyses, cytology analyses, and semen evaluations completed by practice employees using practice laboratory equipment and supplies.

Skin scraping, phlebotomy, blind or ultrasound guided cystocentesis, or fine needle aspirate fees resulting from specimen collection (chemistry, cytology, and/or biopsy interpretation) should be included in this account.

**5302 Outside Lab Revenue (currently DATALink Optional Subaccount)**

Income assigned to this account includes fees charged for procedures completed at non-affiliated reference laboratories, including any associated shipping fees for specimen packing and transportation to state diagnostic labs and private reference labs such as Antech, Idexx, Marshfield, Phoenix, and Abaxis.

**5403 · Radiology (X-Ray) Services Revenue**

Radiology income derives from services using radiation (radiant energy or X-rays) for obtaining body images that allow diagnosis of disease conditions. Record fees for radiographs obtained by
X-rays and interpretation of radiographic studies, including Penn Hip and OFA fees and imaging-service specialist fees charged through your veterinary practice to clients.

Radiograph revenue associated with dental procedures should be included in account 5404.

The sum total of account 5403 plus subaccount 5404 is entered to DATALink field X-Ray Service Revenue.

**5404  Dental Radiograph Revenue (Dental X-rays) (DATALink Optional Subaccount)**

Record fees for dental radiographs obtained by X-rays and interpretation of radiographic studies, including imaging-service specialist fees charged through your veterinary practice to clients.

**5405  CT/CAT Services Revenue**

Use this category for fees deriving from image studies via computerized tomography technology, and including any interpretation fees, whether or not bundled with the procedure fee.

The account 5405 total is entered to DATALink field Cat Scan Services Revenue.

**5410  Ultrasound Services Revenue**

Use this category for fees derived from ultrasound imaging procedures and their interpretation, including specialist fees either charged separately to the client or bundled with the procedure fee. Include income from needle aspirates, ultrasound-guided fine needle, and Tru-Cut® biopsy procedure fees. Ultrasound guided cystocentesis fees should not be included in this account but rather with the lab fees in account 5301.

The account 5410 total is entered to DATALink field Ultrasound Services Revenue.

**5415  MRI Services Revenue**

Use this category for fees derived from MRI (Magnetic Resonance Imaging) scan procedures, and study interpretation, including specialist fees either charged separately to the client or bundled with the procedure fee.

The account 5410 total is entered to DATALink field MRI Services Revenue.
**5500 · Surgery Services Revenue**

This income category includes fee income resulting from surgery room usage, surgical instrument or pack usage, surgical disposables and supplies (sutures, surgical drapes, gloves, etc.), surgeon fees, surgical implants, and plates and screws.

Include orthopedic surgery, soft tissue surgery, and cryotherapy fee income, as well as laparoscopy and endoscopy income.

If ovariohysterectomy (OHE/Spay), castration (neuter), and declaw procedures are bundled with anesthesia/analgesia as a single fee, the total fee charged should be included here. (The VMG DATALink committee discourages service bundling for revenue capture, preferring members use VPIMS software to code fees related to services within the bundle to the appropriate revenue category).

Also include income from procedures provided by visiting contract surgeons at your hospital, if the surgeon and related labor are billed through your veterinary practice to clients.

The account 5500 total is entered to DATALink field Surgery Services Revenue.

**5502 · Anesthesia Services Revenue**

Fee income in this category includes inhalation/gas and intravenous anesthesia protocols charged as separate services, sedation procedures and anesthetic cocktails (midazolam, fentanyl, bupivicaine (Marcaine®), dexmedetomidine (Dexdomitor®), detomidine (Dormisedan®), tiletamine-zolazepam (Telazole®), lidocaine, etc.), epidural nerve blocks, local and dental nerve blocks, and anesthetic monitoring services.

The account 5502 total is entered to DATALink field Anesthesia Services Revenue.

**5515 · Dentistry Services Revenue**

Fee income in this category includes income derived from dental prophylaxis procedures, tooth extractions, orthodontics, endodontics, and product application to teeth or defects. Include oral surgery fees related to dental procedures such as gingival flaps.

The account 5515 total is entered to DATALink field Dentistry Services Revenue.

**5800 · Other Ancillary Products & Services Revenue**
Account Definitions: Profit & Loss - REVENUES

Include fee income derived from ancillary services or products not included in other 5800 subaccounts, such as city and county license tags.

**TIP:** Do not include interest, dividend, or other non-operating revenues in the 5000 series of accounts or in DATALink revenue fields. Non-operating revenues should be recorded in the 9000 account series.

The sum total of account 5800 plus subaccounts 5801 through 5815 total is entered to DATALink field Ancillary Products/Services Revenue.

**5801 OTC Products, Shampoos, & Nutriceutical Revenue (DATALink Optional Subaccount)**

Include all income deriving from sales of over-the-counter (non-prescription) products, including non-FDA shampoos, Chinese herbs and homeopathic products, dental hygiene products including Greenies® and chews, nutriceuticals and vitamins.

Elizabethan anti-self-mutilation type collars, behavior modifying non-FDA therapeutics and other products used in behavior therapy, including Soft Paws® and Thundershirts®, should be recorded in this account.

**5803 Non-FDA Flea & Tick Control Product Revenue (DATALink Optional Subaccount)**

Record fees derived from EPA (non-FDA) flea control products such as topical spot on products (Frontline®, Activyl®, Vectra®, Certifect®, etc.); Capstar®; flea sprays, powders, and dips; flea combs; and premise treatments.

Flea shampoos are included in 5801.

**5804 Internet Ancillary Product Revenue (DATALink Optional Subaccount)**

Report in this account the gross revenues resulting from ancillary product sales made through a practice web portal, only if you wish to separate them from in-house and/or internet pharmacy sales. Otherwise, include in account number 5100-Pharmacy Services Revenue or its subaccount, 5130-Internet Pharmacy Revenue.

**5815 Pet Supplies Retail Revenue (DATALink Optional Subaccount)**

Include income from non-therapeutic, retail sales of leashes, harnesses, collars, toys, point of purchase items, brushes, grooming sprays, candles, milk replacers, deodorants, nail trimmers, pet carriers, pet ID tags, pill cutters, cat litter, etc.
Account Definitions: Profit & Loss - REVENUES

5805 · Boarding Services Revenue

Revenues in this category derive from services involving the custody, care, housing, exercising, and tending of generally healthy animals by the veterinary practice entity. Some animals will have special medical needs for which services may be invoiced in other categories. If hospital housing is required due to medical condition treatment, doctor observation and nursing need, use hospitalization account #5020.

Also record daycare revenue related to care and custody of animals in an interactive environment with daytime hours and generally no overnight stay. If revenues from daycare services are substantial, a separate subaccount of boarding income can be used.

5810 · Grooming Services Revenue

This revenue category includes fees from bathing services and associated anal sac expression and nail trim procedures, when bundled and provided by grooming personnel. Do not include fees related to treatment of medical conditions discovered during grooming services, such as ear care. If anesthesia or sedation is required to perform grooming services, these procedures are codes to anesthesia account 5502 unless bundled with grooming.

5890 · Fee Discounts & Client Returns

Fee discounts and client returns will likely be tracked separately for internal management purposes, as defined in the following two accounts. For DATALink purposes, add them together for input to the database.

5891 Fee Discounts (DATALink Optional Subaccount)

Whatever client discounts and fee accommodations have been recorded and measured are posted to this account. In the veterinary profession, the level of fee discounting can be relatively significant. For this reason, discounts are recorded as a debit directly offsetting operational revenues, so that management has an improved awareness of the discounting impact on overall cost of operations. When offset against gross revenues charged, discounts reduce the total operating revenue figure that is used to calculate each expense as a percent of it.
One challenge is that all fee discounts are not recorded in practice records. Many times, veterinarians provide free services (either intentionally or accidentally) that are never shown on the practice’s records, thus understating the true level of client discounts. This oversight creates yet another problem: no recorded history of what was done for the patient exists either.

*TIP: Some practices choose to separately track fee discounts provided to clients and fee discounts provided to employees. Establish a separate account in the VMGCOA-CA using account #5892 if separate tracking is desired.*

**5896 Returns and Allowances (DATALink Optional Subaccount)**

Returns and allowances are fee amounts the practice returns to clients for disputed work, such as when a client is billed twice for the same procedure or when a client returns dispensed product she believes is not efficacious. The practice bookkeeper prepares a check for payment to the client as settlement.

This account carries a debit balance and as such, is an offsetting account to revenues (revenue accounts normally carry a credit balance). Transaction postings to this account decrease the practice gross revenue.

**5900 · Large Animal Services Revenue**

For QuickBooks purposes, this revenue should be added to 5000 - Professional Services as this is not a companion animal revenue input field in DATALink.

This account accumulates miscellaneous large animal service-related income in practices that have only a small segment of activity related to Large Animal species care (as a proposed guideline, less than 5% of revenue deriving from large animal services and product sales.)

Otherwise, the please consider using an alternative chart of accounts that includes specific accounts for large animal revenues and expenses.
Cost of Professional Services Account Series 6000 through 6999 - OVERVIEW

The chart of accounts now transitions from operating income accounts (5000 series) to operating expenses. Operating expenses are organized into several large groups, starting with direct variable expenses called Cost of Professional Services.

The purpose of the Cost of Professional Services (often referred to by the acronym COPS) account series is to group the practice costs directly related to the revenue generated from veterinary services. More detail in the Cost of Professional Services accounts allows a better analysis of the cost and profitability of each service offered.

Notice that the Cost of Professional Services account list is numbered to match many of the Revenues from Operations account codes 5000-5999. For example, Cost of Professional Service account 6500, Surgery Costs, correlates to revenue account 5500, Surgery Revenue. Each major category appears in bold print to help visualize the matching process of revenue with expense, to enable profit center analysis.

The profit and loss report subtracts the grand total of the Cost of Professional Services (comparable to Cost of Goods Sold in manufacturing entities and as called in QuickBooks terminology) accounts from Revenues from Operations. This subtotal of operating revenue minus COPS equals gross profit.

The gross profit subtotal expressed as a percentage of total operating revenues is known as the gross profit percentage. A higher percentage indicates several possible observations of practice performance, including higher fee structure and revenue realization supporting expenses, lean use of drugs and other supplies for providing veterinary care, and/or stronger internal controls for supply management and fee realization.

The gross profit subtotal also represents the amount of operating income remaining for payment of wages and other employee-related costs, administrative, equipment and facility expenses. Gross profit minus these expenses determines net profit.

The Cost of Professional Services group on the VMGCOA-CA does not include any wages or other payments made for labor, such as veterinarians, relief doctors, contracted specialists who work in the practice, or technicians. This is different from cost accounting for manufacturing where labor is sometimes computed and applied to cost of goods sold.

In veterinary practice accounting, virtually all forms of labor are summarized in a group of accounts (early 7000 account series), which follows immediately after the COA’s 6000 series.
This decision is founded in the unique costs of running veterinary practices. Labor and related human resource costs amount to about forty to fifty percent of revenues. The various direct costs of drugs, professional supplies, hospital supplies, laboratory costs, and so forth contribute another seventeen to twenty-five percent of revenue cost, depending on the unique nature of practice services and patient species.

For managerial purposes, interpretation of data and trends is simplified when these two major components are isolated from each other. By veterinary profession standardization of these two significant expense centers, practice managers and financial analysts will have much improved understanding of how one practice compares with benchmarked trends of comparable entities.

As a general rule, the following COPS expense accounts should not be used to code equipment and other capital assets. Capital assets have a useful life of greater than one year. When an equipment purchase is bundled with other supplies ordered and delivered through a single vendor invoice, the correct bookkeeping procedure requires separation of invoiced components to the correct accounts. Please review the fixed asset account descriptions.

Even without equipment purchases, a good bookkeeper will segregate and account for many items purchased through a single invoice or order. For example, a veterinary supply distributor invoice might include vaccine, bandaging materials, injectable antibiotics, and suture material. The bookkeeper will class each invoice item to a different account in the 6000 series, with a brief description of the product. At a later date, the printed general ledger detail becomes a great advantage to the managing partner or chief financial officer analyzing and interpreting practice financial trends.

**TIP:** For VMG practices, Veterinary Study Groups and Henry Schein® Animal Health has pre-coded all products to match the VMGCOA-CA accounts. VMG members should reference the DATALink section of the VMG Connect member web page to access instructions of how to run a Henry Schein Animal Health report that summarizes practice purchases by month, quarter or year. The reports organize expenditures by VMGCOA account number, to assist bookkeepers in efficiency and accuracy when they key Henry Schein invoices to QuickBooks or other bookkeeping software, and subsequently COPS account totals to DATALink.

**TIP 2:** No matter how you decide to organize your accounts and assign expenditures to them, always be consistent. Consistency of transactional coding within the practice is more important than trying to be overly detailed.

**TIP 3:** Vendor invoices may include shipping and sales tax charged on supply purchases. These costs should not be separated from the supply cost when recording them to the
practice’s accounting software. For example, sales tax paid on vaccine purchases should be included with the cost of the vaccine in account 6001.

TIP 4: Equipment repairs and maintenance costs (including service contracts) should be expensed separately in the Facility & Equipment subsection of the chart of accounts, not included in the 6000 COPS series.

TIP 5: Vendor rebates and discounts made to the veterinary practice that are related to any purchased products, supplies, and pharmaceuticals should be recorded directly to the original expense account, as an offsetting reduction to the purchase price.

TIP 6: Bookkeepers should examine invoices to see if an early payment discount will apply, as these discounts can add up to significant practice cash savings. While timely payment discounts are not as frequent as they once were, they are important to utilize if available.

TIP 7: In a well-maintained accounting system, expenditures for “on-hand” drugs and medical supplies are recorded as Inventory (an asset on the balance sheet) until the point dispensed or consumed in the provision of patient care. COPS expenditures represent inventory assets consumed to generate revenues and adjusted to the 6000 accounts as used, to present a fairly consistent picture of gross profit resulting from veterinary services and sales of products.

6000 · Costs of Professional Services - OVERVIEW

This account provides a general catch-all category for any expense that qualifies for classification as a cost of professional service. Like the option of simplified revenue tracking with all operating income coded to account 5000, regardless of veterinary service origin, a bookkeeper could post all drugs and medical supply invoices to this account. However, management loses the benefit of more detail that would enable trend analysis to spot weaknesses and opportunities for improvement.

At a minimum, all VMG practice bookkeepers should submit data that segregates expenses into the blue, bold-faced categories that follow.

Most veterinary practices expend significant proportions of revenue on drugs and professional supplies. Since as much as twenty to twenty-five percent of gross revenues might be expended in practices with heavy dispensing activity, detailed management reports greatly benefit practice planning, budgeting, and profit evaluation. Useful reports only result when the bookkeeper
makes the effort to segregate drug and consumable hospital supply expenditures into the accounts management requires.

Even with very detailed coding of various professional supply and drug costs, many bookkeepers will find this account useful from time to time to temporarily post a transaction until further assistance can be gained from the chief financial officer or other decision maker.

**6000 · Costs of Professional Services**

Expenditures for COPS purchases not included in the 6000 subaccounts that follow can be coded to this account. (Please read foregoing overview of 6000).

Hospital supply expenditures to code to the 6000 accounts can include disinfectants, sanitizers, hand soaps, and cleaners.

**6001 Vaccine Costs (DATALink Optional Subaccount)**

The cost of companion animal vaccine products are coded to this account. In general, the vaccine-administration paraphernalia such as needles and syringes are coded to the next account, 6020.

**6020 Examination, Hospitalization, & Treatment Costs (DATALink Optional Subaccount)**

This account is used to record costs of consumable supplies used in treating patients: needles, syringes, bandaging materials, sponges, alcohol, antiseptics, enema solutions, muzzles, Cochran splints, tourniquets, pet pillers, urinary catheters (rubber, polypropylene, Foley, etc.), cotton, hydrogen peroxide, tear test strips, tongue depressors, clipper blades (unless used for pet grooming in practices providing this service), rabies tags not associated with a tax or license fee, microchips, tattoo supplies, artificial insemination (A.I.) supplies, exam and treatment gloves, and diagnostic services supplies. Euthanasia solutions should be included in this account.

The practice capitalization policy should provide guidance for immaterial or minor patient-care and medical equipment costs that are expensed in this account rather than capitalized and subsequently depreciated.

**6025 Fluid Therapy Costs (DATALink Optional Subaccount)**
Record all fluid therapy costs in this account, including intravenous (IV) catheters, lines and extension sets, catheter caps, IV administration supplies such as IV fluid products, blood products, and Hetastarch. Also include blood collection and administration sets and immaterial expenditures for equipment related to fluid therapy (see prior paragraph regarding capitalization policy).

6040  Rehabilitation Costs (DATALink Optional Subaccount)

Minor expenditures for non-capitalized equipment and for supplies used for rehabilitation services, such as therapy pool supplies and minor maintenance parts, exercise balls, balance boards, slings, goniometers (measure range of motion) and similar articles.

This account does not include cost of significant equipment repairs, maintenance and services agreements which are expensed separately to account 7520-Maintenance, 7530-Service Contracts, and 7570-Repairs.

6050  Animal Disposal/Mortuary Costs (DATALink Optional Subaccount)

This account is used to expense costs for burial and cremation services, caskets, urns, receptacles, headstones, paw-print kits and similar supplies related to post-mortem body care and patient memorials. This account does not include cost of euthanasia solution.

6095  Medical Waste Disposal Costs (DATALink Optional Subaccount)

This account segregates expenses related to compliance with OSHA and EPA requirements for the disposal of medical waste, including costs of containers for hazardous waste disposal service. Some state EPAs include animal bodies in the definition of medical waste; regardless, costs for body disposal should be coded to 6050.

6100  · Pharmacy Costs of Services

This pharmacy lead account can be used to code any FDA prescription item sold or used in the hospital that doesn’t fit in one of the other categories. Also include pharmacy dispensing supplies such as prescription containers and labels.

Most managers prefer that costs are segregated if possible into more detailed subaccounts, as the 6100 can easily become a significant nominal dollar amount that becomes less easy to assess.
6110 Injection Costs (DATALink Optional Subaccount)

This account is used to track FDA injectable medications invoiced as pharmacy injection income. It excludes IV Fluids (code to account 6025), vaccines (code to account 6001), and parasiticides such as Program (code to account 6120), euthanasia solutions (code to account 6020) or anesthetic/sedating agents (code to account 6502).

6115 FDA Prescription Flea/Tick Non-HW Parasite Control Products Costs (DATALink Optional Subaccount)

Record costs for FDA prescription products that prevent fleas and/or ticks, but not heartworms. Examples of product purchases to record in this account include Comfortis, Program Nexgard & Bravecto®.

6120 FDA Prescription HW or Combo HW/Parasite Control Products Costs (DATALink Optional Subaccount)

Include purchases of any FDA product that prevents heartworms or combination products that prevent heartworms and other internal or external parasites. Examples of costs to record in this account include Sentinel, Trifexis, Heartgard, Advantage Multi, Revolution, and ProHeart-6.

6130 Internet Pharmacy Costs (DATALink Optional Subaccount)

Report in this account the cost of products resulting in sales made through a practice web portal, regardless of type of product, and whether or not sales are facilitated through a subcontracted vendor (VetSource, MyVetDirect, etc.). Ancillary product costs can be included here, or in account 6804 Ancillary Internet Costs.

Subcontracted vendors usually pay the practice the net amount of sales made to clients, so a journal entry may be required to record sales at gross (in account 5130) and the related cost here.

6200 Dietary Product Costs

See corresponding income account 5200 for more information about dietary products.

6201 Prescription Dietary Product Costs (DATALink Optional Subaccount)

Record to this account the cost of pet foods that are sold as a medical recommendation to address a patient’s diagnosed medical health.

6202 Non-Prescription Dietary Product Cost (DATALink Optional Subaccount)
Record the cost of pet foods that are sold as wellness/maintenance diets, pediatric diets, or traditional foods WITHOUT specific therapeutic dietary formulations for diagnosed medical health problems.

**6300 · Laboratory Cost of Services**

See corresponding laboratory income account 5300 for more information about laboratory as a profit center.

**6301 In-House Lab Costs (DATALink Optional Subaccount)**

Record reagent supply costs and similar costs associated with the in-house lab here. Do not record the acquisition cost of laboratory equipment, its repair, service contracts, or of staff time to run the tests in this account.

This account does not include cost of significant equipment repairs, maintenance and services agreements which are expensed separately to account 7520-Maintenance, 7530-Service Contracts, and 7570-Repairs.

**6302 Outside (Reference) Lab Costs (DATALink Optional Subaccount)**

Fees paid to non-affiliated reference laboratories to run patient tests should be posted here. Include the costs of mailing samples and laboratory pathologist consulting fees in this account.

**6400 · Radiology & Imaging Costs of Services**

The following accounts include purchases of radiographic film, processing chemicals and supplies, contrast materials, lead shields, radiation monitoring badge contracts, and labeling supplies. Also include OFA and PennHIP fees and radiologist/cardiologist imaging service consultant fees to this account.

The cost of radiological and imaging equipment is *not* included in this account code, unless immaterial and in accord with practice capitalization policy; the cost is recorded to the fixed asset section for professional equipment (account series 2000).

Do not record equipment repairs, maintenance, or service contracts in this account, which should be expensed separately under 7520 Maintenance, 7530 Service Contracts, or 7570 Repairs.

**6403 X-Ray Costs (Non-Dental) (DATALink Optional Subaccount)**
6404  X-Ray Costs (Dental) (DATALink Optional Subaccount)

6405  CT/CAT Scan Costs (DATALink Optional Subaccount)

6410  Ultrasound Costs (DATALink Optional Subaccount)

6415  MRI Costs (DATALink Optional Subaccount)

6500  · Surgery Costs of Services

This account is used to record all the supply costs related to surgical procedures including bone plates, screws, implants, fixators, suture material and needles, nitrogen, ethylene oxide, sterilization supplies, sterile-field drapes, gowns, surgical gloves, small instruments not capitalized, and similar disposables, consumables, and supplies.

Include non-capitalized equipment and parts for non-invasive endoscopic procedures, laser and cauterity surgery, and sterilization needs.

Do not record equipment repairs, maintenance, or service contracts in this account, which should be expensed separately under 7520 Maintenance, 7530 Service Contracts, or 7570 Repairs.

TIP: From time to time, surgical packs require replenishment with instruments that have failed. The cost of replacement will depend on the quality of the instrument as well as its type. The cost of a single forceps replacement may be so minimal as to merit expensing, while replacement of a large number of instruments in a short period of time may be monetarily significant. Therefore, the veterinary practice should have a capitalization policy to guide decisions about immediate expensing versus capitalization and depreciation of equipment such as surgical instruments that are expected to be useful for multiple procedures over more than a single year.

6502  · Anesthesia Costs of Services

This account includes the cost of drugs primarily used as anesthetic and sedating agents (injectables such as midazolam, fentanyl, bupivacaine (Marcaine®), dexmedetomidine (Dexdomitor®), detomidine (Dormisedan®), tiletamine-zolazepam (Telazol®), lidocaine, etc.), oxygen, F/Air canisters, soda lime, and endotracheal tubes.

Also include the cost of supplies related to anesthesia machine, monitoring equipment, and scavenging equipment.
Do not record equipment repairs, maintenance, or service contracts in this account, which should be expensed separately under 7520 Maintenance, 7530 Service Contracts, or 7570 Repairs.

6515 · Dentistry Costs of Services

Use this account to record the costs of all dental supplies and small dental equipment expensed and not capitalized. See TIP in account 6500 related to capitalization policy issues.

Include dental products used on the teeth in the operatory, such as Doxirobe® and OraVet®. Home-use dental hygiene products are expensed elsewhere, depending on whether it is an FDA (#6100) or an OTC (#6801) product.

Do not record equipment repairs, maintenance, or service contracts in this account, which should be expensed separately under 7520 Maintenance, 7530 Service Contracts, or 7570 Repairs.

6800 · Other Ancillary Service & Product Costs

Include ancillary costs that do not fit in an optional 6800 subaccount should you choose to use them, including city/county license tags.

6801 OTC Products, Shampoos, & Nutriceuticals (DATAlink Optional Subaccount)

Includes all therapeutic over-the-counter products, dental hygiene OTC products including Greenies, nutriceuticals, alternative medicine and acupuncture products such as needles and Chinese Herbs, Elizabethan anti-self-mutilation type collars, non-FDA shampoos, behavior modifying products used in behavior therapy including Soft Paws and ThunderShirts.

6803 Non-FDA Flea/Tick Control Costs (DATAlink Optional Subaccount)

Include all EPA, non-FDA flea control products such as topical spot ons (Frontline, Activyl, Vectra, and Certifect), Capstar, sprays, powders, dips, flea combs, and premise treatments. Flea shampoos should be recorded in account number 6801.

6804 Internet Ancillary Retail Sales Costs (DATAlink Optional Subaccount)
Record costs in this account resulting from ancillary product sales made through a practice web portal. If not separated from Internet pharmacy costs, include all in account number 6130.

**6815 Pet Supply Costs (DATALink Optional Subaccount)**

Record all retail-sales costs of products sold in the veterinary hospital. Examples include non-medical products such as leashes, harnesses, collars, toys, point of purchase items, brushes, grooming sprays, candles, milk replacers, deodorants, nail trimmers, pet carriers, pet ID tags, pill cutters, and so on.

**6805 · Boarding Cost of Services**

Costs to record in this account include supplies, food, bedding, and litter used exclusively for the maintenance of boarded and/or hospitalized animals. Do not include medical and nursing supplies used for hospitalized animals. See income account 5805 for more information about the boarding profit center. Labor is recorded in the 7000 account services.

**6810 · Grooming Cost of Services**

Costs to record in this account include supplies, shampoos, and other products used in providing bathing and grooming services. All clippers, grooming scissors and grooming supplies have been pre-coded to grooming with Schein product codes so if your practice does not provide grooming, move all grooming expenses to Exam, Hospitalization and Treatment account number 6020.

See income account 5810 for more information about the grooming profit center. Labor is recorded in the 7000 account services.

**6900 · Large Animal Cost of Services**

For QuickBooks purposes, these expenses should be added to 6000 - Professional Services as this is not a companion animal revenue input field in DATALink.

See income account 5900 for more information related to large animal as a profit center.

*TIP: this account is best used only if the volume of large animal care is very small, say less than 5%. Otherwise, please consider using an alternative chart of accounts that includes specific accounts for large animal revenues and expenses. The COA should be designed to track large animal costs related to surgery, laboratory, treatment and other services similarly as they are handled for small animal expenses, to derive profit centered accounting with expense accounts matching to revenue accounts.*
General and Administrative Expenses Account Series 7000 through 8999

General and Administrative Costs include Human Resource Expenses (Compensation, Taxes, Benefits, and Other Employee Expenses), Facility and Equipment Expenses, Administrative Expenses, Fee Income Collection Expenses, and finally, Depreciation & Amortization Expenses.

Human Resource Expenses Account Series 7000 through 7499

These accounts are further defined as:

- 7000 - 7199 Compensation and Worker Payments
- 7200 - 7299 Employer Payroll Tax
- 7300 - 7399 Employee Fringe Benefits
- 7400 - 7499 Other Employee Expenses

Compensation and Worker Payments Account Series 7000 through 7199

TIP: Nearly all of the compensation accounts, except those labeled “Contract” represent the gross wages owed to employees and paid through payroll.

7000 · Compensation – Owner Veterinarians

The gross amount (before tax withholdings) of salaries, wages, bonuses, commissions, and guaranteed payments paid to owner-employees post to this account. LLC member distributions, partner draws, and sole proprietor draws are recorded in account 4300. Each veterinarian employee-owner can be listed individually with a sub-account (7001, 7002, etc.) if desired for additional detail within financial reports.

This account should include the wages paid to owner veterinarians for clinical time (excludes compensation for management time).

If rent is paid to an owner veterinarian who also owns the practice real estate, it will not be posted to this account. Post rent, regardless of payee, to account 7500, Rent on Business Property (Real Estate).

Many states now allow persons other than licensed veterinarians to own interests in veterinary practices domiciled in the related state. If you have this unique situation, please discuss with your accountant his or her preference, if any, for wage categorization in the general ledger, as might be needed for tax reporting purposes. Otherwise, gross wages, salaries, and bonuses paid
to such individuals with ownership interests should be classed to the account representing the services the individual provides to the practice (e.g. management, bookkeeping, maintenance, teching, etc.) If gross payroll payments (before tax withholdings) are not “fair value” for the duties the person performs, you may have to adjust it so as to provide relevant benchmarking data to DATALink.

7005 · Compensation – Owner Veterinarian Management

If owner-employee veterinarians are paid an additional or separate amount of salary, bonuses, etc. as compensation for management duties, the gross amount (before tax withholdings) of payments should be coded to this account.

7080 · Compensation – Non-Owner Veterinarians

The gross amount (before tax withholdings) of salaries, wages, bonuses, and commissions, paid to employed veterinarians (with no ownership rights) posts to this account.

7081 Compensation – Associate Veterinarian

Use this account to post the gross amount (before tax withholdings) of salaries, wages, bonuses, and commissions, paid to non-owner associate veterinarians.

7083 Contractor Payments – Relief Veterinarian

Use this account to code payments made to veterinarians who perform services on an episodic and temporary spot-labor basis to relieve regular employee veterinarians from services. Contracted relief veterinarians (“independent contractors”) usually have their own companies and offer their services to multiple practices within a practice area, rather than exclusively or predominantly to a single practice.

7085 Contractor Payments – Veterinary Specialist

Use this account to code payments made to veterinarians with specialty credentials who perform services on an episodic and temporary spot-labor basis to provide specialty patient care. Contracted specialist veterinarians (“independent contractors”) usually have their own companies and offer their services to multiple practices within a practice area, rather than exclusively or predominantly to a single practice.
7090  *Compensation – Intern Veterinarians*

Use this account to post the *gross amount* (before tax withholdings) of salaries, wages, bonuses, and commissions, paid to newly graduated veterinarians filling work-study positions.

7100  *Compensation – Other Support Staff*

This is a general account, for coding the *gross wages*, bonuses and/or salaries of any employee other than doctors of veterinary medicine and/or persons with ownership interests. For managerial and financial analysis purposes, it is preferable to post gross wages to the appropriate account by employee job title and/or function, as follows.

The sum total of account 7100 and subaccounts 7130, 7135, 7140, 7180, and 7190 (plus any other accounts your practice establishes that are unique in this subaccount series) are entered to the DATALink field for Other Support Staff Compensation.

7130  *Compensation – Registered Veterinary Technicians*

Optional, recommended sub-account for registered technicians. This account will be reported to DATALink as part of Other Support Staff Compensation.

7135  *Compensation – Veterinary/Technical Assistants*

Optional, recommended sub-account for un-registered veterinary and technician assistants. This account will be reported to DATALink as part of Other Support Staff Compensation.

7140  *Compensation – Client Service Reps/Receptionists*

Optional, recommended sub-account for receptionists and client service representatives (CSRs). This account will be reported to DATALink as part of Other Support Staff Compensation.

7180  *Contractor Payment – Other (Non-DVM) Temporary Services*

Optional, recommended sub-account for spot labor engaged to provide support services such as clerical, janitorial, assistant, bookkeeping or phone reception services. This account will be reported to DATALink as part of Other Support Staff Compensation.
7190  Compensation – Maintenance Personnel

Optional, recommended sub-account for maintenance and janitorial personnel who are employees, rather than subcontracted spot labor. This account will be reported to DATALink as part of Other Support Staff Compensation.

7150  Compensation – Kennel Assistants

Gross wages and bonuses for kennel and ward assistants, in practices with significant pet boarding activities. The total amount in this account is reported as a separate input field to DATALink for Kennel Assistants.

7155  Compensation – Groomers

Gross wages, commissions, and/or bonuses for pet groomers. The total amount in this account is reported as a separate input field to DATALink as a separate input field to DATALink for Groomers.

7160  Compensation – Administrative Personnel

Gross wages, commissions, and/or bonuses for employees providing predominantly administrative, managerial, or back office services. The total amount in this account and its subaccounts 7162, 7164, 7166, and 7168 is reported as a separate input field to DATALink as a separate input field to DATALink for Administrative Personnel.

7162  Compensation – Practice Manager/Administrator

Optional, recommended sub-account for designated practice manager and/or administrator. This account will be reported to DATALink as part of Administrative Personnel Compensation.

7164  Compensation – Office Manager/Executive Assistant

Optional, recommended sub-account for designated office manager and/or administrative assistant to practice owner(s). This account will be reported to DATALink as part of Administrative Personnel Compensation.
7166  Compensation – Bookkeeper

Optional, recommended sub-account for designated practice bookkeeper who is paid as an employee of the practice (not an outside subcontractor). This account will be reported to DATALink as part of Administrative Personnel Compensation.

7168  Compensation – Clerical/Secretarial Personnel

Optional, recommended sub-account for personnel functioning in clerical and transcriptionist positions, not described in other accounts. An example would be a medical record transcriptionist or secretary for a DVM specialist in the practice. This account will be reported to DATALink as part of Administrative Personnel Compensation.

Employer Payroll Taxes - Account Series 7200 through 7299

Employer obligations for taxes from the employment of personnel are reported in lump sum to the related DATALink field for Employer Payroll Taxes.

The following accounts are recommended to provide detail of those tax expenditures for budgeting and tax return purposes.

7210  FICA Tax Expense – Employer’s Portion

This account expenses the employer’s portion of social security (OASDI) and Medicare tax matching funds (to those withheld from employee wages). This account will be reported to DATALink as part of Employer Payroll Taxes.

7220  Federal Unemployment Tax Expense

Employers must pay federal taxes to fund unemployment claims. The unemployment tax amounts required by state law are coded to the next account. Federal unemployment tax integrates with state tax amounts, with credit given to the amount paid to the state.

This account will be reported to DATALink as part of Employer Payroll Taxes.
7230  **State Unemployment Tax Expense**

Employers must pay state taxes to fund unemployment claims. The unemployment tax amounts required by federal law are coded to the prior account. State unemployment tax integrates with federally-mandated tax amounts, with credit given to the amount paid to the state.

This account will be reported to DATALink as part of Employer Payroll Taxes.

7250  **Other Employer Payroll Tax Expense**

Some states require other tax payments by employers, and these more unique employment tax payments should be coded to this account.

This account will be reported to DATALink as part of Employer Payroll Taxes.

* **TIP:** Only the employer portions of payroll taxes should be included in the 7200 account series. Employee portion of payroll taxes are appropriately included as compensation (i.e. employee wages should be reported at the “gross” amount).

* **TIP 2:** Account 7250 is reserved for other mandated employer payroll taxes. Certain states have additional payroll taxes that are levied on employers. If your state or locality requires additional payroll-type taxes, you can set-up a separate account within the Employer Payroll Tax series of accounts for each type of employer payroll tax.

**Employee Fringe Benefits Account Series 7300 through 7399**

Employer commitments for benefit payments on behalf of employed personnel are reported in lump sum to the related DATALink field for Employee Fringe Benefits. The following accounts are recommended to provide detail of those benefit expenditures for budgeting and tax return purposes.

Most employment fringe benefits in the following accounts are “qualified”, that is, there is a regulatory carve-out to exclude them from taxation as compensation to the employee, while still providing a legal ordinary and necessary business expense deduction to the employer.

* **TIP:** Many practices establish sub-accounts as a method for tracking benefit expenditure totals by individual employee, including health insurance and continuing education expenses.
Account Definitions: Profit & Loss – LABOR-RELATED EXPENSES

7300  **Employee Benefit Program Expense**

Code to this account practice payments to companies providing general qualified benefit programs to employees, such as for group health or dental insurance.

The following sub-accounts to employee benefit programs are possible options. Modify as necessary to match the specific benefits offered by your practice. Accounts 7301 through 7309 are reserved for this purpose.

* **TIP:** This account should include the employer contributed portion of benefits only. Amounts withheld from employee wages towards benefits should be held in account 3170 until properly remitted to the benefit company, such as a health insurance company.

Sub-accounts may include:

7301  Group Health Insurance Premium Expense

7302  2%-Subchapter-S Corporation Shareholder Health Insurance Premium Expense

7303  Group Dental Insurance Premium Expense

7304  Group Disability Insurance Premium Expense

7305  Group Term Life Insurance Premium Expense

7310  **Employer Retirement Contribution Expense**

* **TIP:** This account should include the employer contributed portion of retirement funding only. Amounts withheld from employee wages towards retirement contribution (qualified deferred compensation under ERISA) are coded in account 3280 until properly remitted to the employee’s designated institutional fund, then bringing account 3280 to a zero balance.

7320  **Professional Liability Insurance Premium Expense**

Premiums paid for practice and individual DVM coverage related to managing the risks of claims alleging professional negligence.
**Account Definitions: Profit & Loss – LABOR-RELATED EXPENSES**

**7340  Workers Compensation Premium/Tax Expense**

Tax or premiums paid for practice insurance that manages the risks of claims related to employee injury on the job, and provides wage replacement and medical benefits in exchange for mandatory relinquishment of the employee’s right to sue the employer for negligence.

**7360  Continuing Education Registration Expense**

Payments made to enroll employees in webinars, seminars, conferences and conventions for the purposes of expanding skills and knowledge, as well as complying with regulatory guidelines to maintain professional licensure in that particular state.

*TIP:* Only course registration/enrollment fees should be coded to this account. Travel and meals associated with continuing education should be coded to #7365 and #7440, respectively.

Optional sub-accounts for continuing education may include:

7361  Meeting/Course Registration Fees

7362  Business & Professional Book, Journals, VIN subscriptions

7363  Staff Training Fees and Costs (excludes wages, travel, lodging, meals)

**7365  Travel and Lodging Expense**

This account tracks practice expenditures for travel related to bona fide (ordinary and necessary business-related) education and training. Optional sub-accounts for travel and lodging may include the following, but should exclude any meal and entertainment expenses which are limited as to deductibility:

7366  Air Fare

7367  Lodging

7368  Transportation

7369  Mileage Reimbursement (mileage reimbursement for business errands is classed to account 7620)
Other Employee Expenses Account Series 7400 through 7499

Other employer payments for ordinary and necessary operating expenses on behalf of employed personnel are reported in lump sum to the related DATALink field named “Other Employee Costs”. These expenditures clearly benefit the individual employee but also the practice as a whole, as the investment should improve practice operations and service offerings. The following accounts are recommended to provide detail of those benefit expenditures for budgeting and tax return purposes.

7400 Study Group Expenses

Sub-accounts should include:

- 7410 VMG - Annual VMG Dues/Expenses
- 7415 VMG - Quarterly Fees
- 7420 VMG - Travel Expenses
- 7425 VMG – Meals & Entertainment Expense
- 7430 VMG – Hotel/Lodging Expense
- 7435 VMG – Materials & Production Expense

7440 Business Meals & Entertainment Expenses

Expense amounts paid for feeding employees who are working on behalf of the practice to recruit new employees, clients, gain training, skills, networking etc.

TIP: Expenditures made for business meals and entertainment expenses directly related to the conduct of the practice should always be segregated in the bookkeeping records, as these expenditures are only deductible to the extent of 50% of the total cost pursuant U.S. Tax Code. This includes meals and entertainment taken at VMG meetings (see account code 7425, above.)
7445 Staff Events & Recreation Expense

Expenditures coded to this account typically include staff picnics and Christmas parties, but can include other practice financial support of events wherein 100% of all current employees are invited and included in the event.

_TIP:_ Facts and circumstances of employer-sponsored recreation and celebratory events may be 100% deductible under U.S. Tax Code, and should be discussed with the practice accountant to assure will gain maximum deductibility.

7450 Employee Recruitment Expense

Expenses coded to this account may include the cost of background checks, pre-employment drug screening, reimbursed airfare for purpose of interview visits, reimbursed moving expenses, etc.

_TIP:_ Meals associated with employee recruitment should not be coded here. Code to account 7440 instead.

7460 Laundry & Uniform Expense

7470 Employment Practices Liability Insurance

Code here the premium cost of insurance contracts for managing risk of employee litigation related to alleged unlawful employer policies and employment practices.
Facility and Equipment Expenses Account Series 7500 through 7799 - OVERVIEW

This account series includes a wide variety of facility and equipment support expenditures that typically total ten to twelve percent of operating gross revenue.

7500 · Rent on Practice Real Estate
Facility rent expense is typically included in the profit and loss report as a subaccount of Facility and Equipment Expenses; however, for VMG DATALink purposes, it is a standalone account in this COA rendition that will expedite input to a dedicated DATALink field called Rent or Lease on Practice Real Estate.

Facility and Equipment Related Expenses
The following accounts should be tracked for practice management purposes and financial oversight. All of the following are entered as a lump-sum total to the related DATALink field called Facility and Equipment Costs.

7510 Rent on Business Equipment
This account includes one-time equipment rental fees, such as a pressure washer to clean the practice facility. Operating lease payments (non-purchase leases) should also be included here. Many leases are purchases in disguise and should be capitalized to the 2000 account series with an associated liability included in the 3040 account series. Talk with the practice’s CPA to ensure proper accounting of the practice’s leases.

7515 Outside Storage Expense
Payments made to rent off-premises storage space are coded to this account.

7520 Maintenance Expense
Expenditures made to maintain good working order and prevent failure of the practice’s facility and equipment are classed to this account.

Sub-accounts may include:

7521 Medical Equipment Maintenance Expense
7522 IT and Office Equipment Maintenance Expense
7523 Facility Maintenance Expense

7530 Service Contract Expense

Service contracts associated with maintaining the practice’s facility, grounds, and equipment should be included here, such as security/alarm contracts, landscaping and snow removal contracts, and heating, ventilation, and air conditioning (HVAC) maintenance contracts.

Also include service contract payments for equipment maintenance, such as digital x-ray, bench laboratory equipment, and computer equipment. Service contracts are comparable to acquiring insurance to mitigate unexpected cost of loss and downtime. To keep COPS and other accounts comparable between practices, service contract expenditures are maintained in Facility and Equipment Expenditure accounts.

Use of subaccounts is a good option if the practice has a significant number of higher cost contracts. Examples: Service Contracts: IT, Service Contracts: Landscape Services and Snow Removal, Service Contracts: Medical Equipment. Otherwise, these subaccounts can be used:

Sub-accounts may include:

7531 Medical Equipment Service Contract Expense

7532 IT and Office Equipment Service Contract Expense

7533 Facility Service Contract Expense

7540 Housekeeping & Janitorial Expense

This account includes payments to a contracted cleaning, maid, or janitorial service as well as supplies associated with facility cleaning.

7570 Repair Expense

Expenditures related to facility and equipment repairs are included here. Repairs are different from maintenance as they are used to restore broken property to its condition before the breakage occurred. Maintenance expenses are incurred to prevent breakage by keeping equipment and facility in good working condition.
Sub-accounts may include:

7571 Medical Equipment Repair Expense

7572 IT and Office Equipment Repair Expense

7573 Facility Repair Expense

7580 Property, Casualty, & Liability Insurance Premium Expense

Code premium expenses for liability insurance on the facility, inventory, contents, and business overhead insurance (BOI; sometimes called disability overhead insurance).

Umbrella liability premiums are also coded to this account.

Professional liability insurance should be coded to account 7320, and employment practices liability insurance should be coded to account 7470.

Vehicle insurance premiums are expensed in 7620 Vehicle Expenses.

Workers compensation insurance premiums (or tax) are coded to 7340.

7590 Real Estate Tax Expense

The lease agreement and who owns practice real estate makes determination of whether the practice or the landlord pays real estate taxes.

If the lease agreement requires the practice to pay the real estate taxes, expense the tax payments to the 7590 account. If the real estate taxes are paid by the landlord (and therefore included in rent), then the tax expense is included in Rent on Practice Real Estate, account 7500.

7600 Personal Property Tax Expense

Record tangible and intangible personal property tax payments in this account, when applicable in your practice’s state. See account 3430 – Personal Property Tax Payable for additional explanation.
**7620 Practice Vehicle Expense**

Costs associated with running and maintaining a practice vehicle for business purposes should be coded here, including gasoline/diesel, vehicle repairs and maintenance, vehicle insurance, and vehicle license renewals.

If the vehicle is leased, lease payments are classed here.

Use this account for any reimbursed mileage for business use of employee-owned vehicles, other than for continuing education attendance (which is expensed to account 7369).

**7660 Utility Service Expense**

Sub-accounts may include:

- **7661 Electricity**
- **7662 Natural Gas/Fuel Oil/Propane Gas**
- **7663 Sewer**
- **7664 Water**

**7670 Telephone Service Expense**

This account includes expenditures for telephone and fax services via landline, but does not include directory advertising.

Sub-accounts may include:

- **7671 Cellular Phone Service**
- **7672 Landline Phone Service**

**7675 Cable & Internet Service Expense**

Code payments for cable service, DSL, fiber-optic, T1 (exclusive of land line services for telephone -7670) and internet service providers such as AOL.
Account Definitions: Profit & Loss – FACILITY & EQUIP. EXPENSES

7680  *Answering Service Expense*

7690  *Rubbish Disposal Expense*

Use this account for expenses related to routine rubbish services. Medical waste disposal service payments are coded to account 6095.
Administrative Expenses Account Series 7700 through 7999 - OVERVIEW

This account series includes a wide variety of “back office” and general practice support expenditures that typically total four to six percent of operating gross revenue.

7800 · Advertising & Promotion Expense

Advertising, marketing and promotional expenditures are typically included in the profit and loss report as a subaccount of Administrative Expenses; however, for VMG DATALink purposes, it is a standalone account in this COA rendition that will expedite input to the dedicated DATALink field called Advertising and Promotions.

This account includes the directory advertising portion of the telephone bill, community publications, web site expense, search engine advertising, other web advertising, billboards, direct mail, reminder cards, business cards, gear and trinkets printed with the name of the practice, community sponsorships, open houses, postage for client reminders, direct mail advertising and promotions.

Optional sub-accounts depending on the expenses you wish to monitor may include:

7801 Yellow Page Advertising Expense
7802 Website Maintenance Expense
7803 Internet Advertising Expense
7804 Direct Mailing Expense
7805 Client Reminder Expense
7806 Memorial Contribution Expense
7808 Sponsored Events Expense
7809 Marketing Consultant Expense
Administrative Expenses

The following accounts should be tracked for practice management purposes and financial oversight. All of the following are entered as a lump-sum total to the related DATALink field called *Administrative Costs*.

**7750 Licenses & Permits**

Include expenditures for professional and business licenses and permits, such as veterinary and technician license fees, DEA licenses, building occupancy permits, and kennel permits.

**7760 Use Tax Paid**

Use tax paid on applicable purchases can be allocated to the appropriate expense category rather than using this account, if you prefer. For example, use tax paid to the state and associated with the purchase of non-taxed office supplies could be classed to account 7870 – Office Supplies.

In all cases, the allocated amount of use tax paid on the purchases of capital assets, such as equipment, should be included in the same fixed asset account as the original purchase. For example, $2,100 of use tax paid on the acquisition of a $35,000 ultrasound machine should be coded to account 2000 – Professional Equipment. The total effective capitalized price of $37,100 is then subject to depreciation.

See account 3410 – Use Tax Payable for additional explanation.

Do not segregate sales tax from the cost of supply acquisition. Sales tax assessed by vendors on goods, services, and equipment sold to the practice is part of the asset’s cost and is never classed to a separate account.

See the liability account, 3400 – Sales Tax Payable for additional explanation.

**7770 Franchise Tax Expense**

Record state franchise, commercial activity, or other similar state tax payments to this account.

**7780 Other Tax Expenses**

Use this account to record other taxes levied on the practice that do not appropriately fit elsewhere. Note well: payroll taxes, workers compensation premiums/tax, corporate income taxes, real estate taxes, personal property taxes, etc. should all be coded elsewhere.
7790  **Veterinary & Professional Dues Expense**

Expense to this account expenditures made for AVMA, AAHA, VHMA, state and local associations, and business associations such as chamber of commerce membership dues.

7810  **Client Education Material**

Use this account to expense newsletters, brochures, other client education materials, and postage related to newsletter mailings.

7820  **Business Gifts and Flowers**

Gifts, flowers, cards, food baskets, sympathy expression gifts.

7830  **Charitable Contribution Expense**

Record payments made to qualified charitable organizations to this account only if no current or future practice promotional benefit is received. If such donations have promotional and marketing benefit that advances client acquisition and growth, then consider classing such payments as advertising and marketing expense, even if made to qualified charitable organizations.

If you received a direct benefit, such as a meal, then the fair market value of the direct benefit should be coded to the appropriate account (7440, in this example), with the difference coded to charitable contributions. For example, if the practice pays $100 to a qualified charitable organization and in return receives a meal with a value of $20, then of the $100 expense, $80 should be coded to account 7830 and $20 should be coded to account 7440, assuming there is a business purpose for attendance and business discussion relative to the practice.

7860  **Computer Supply Expense**

Post transactions for ribbons, toner, disks, and other peripheral supplies such as cables and small dollar-value software to this account.

Minor equipment and software acquisitions may be expensed to this account in accord with the practice capitalization policy.

Major acquisitions of computer systems, software, or environmental changes should be capitalized and posted to account 2050 – Computer Hardware or 2070 – Computer Software.
Labor costs associated with the installation of hardware or software should also be capitalized as part of the respective computer hardware or software account.

Do not record equipment repairs, maintenance, or service contracts in this account, which should be expensed separately under 7520 Maintenance, 7530 Service Contracts, or 7570 Repairs.

7870 Office Supply Expense

Expenditures in this account include typical general office supplies such as pens, paper, paper and binder clips, binders, paper files, inexpensive calculators and small equipment. Also, reception area magazine subscriptions can be expensed to this account.

7880 Postage Expense

Expense to this account stamps, FedEx and UPS, parcel post, courier service, and postal machine rental. Postage for newsletters and other promotional items should be recorded in the appropriate category.

Semen shipping freight costs should be included with artificial insemination (A.I.) costs in account 6020.

7890 Printing Expense

Post costs for printing in-office documents and using outside printing services (e.g. Kinko’s or Office Max).

Print run costs such as for brochures and newsletters should be recorded in Client Education Material, account 7801.

Copier expense based on print runs and toner refills can be coded here, too. Otherwise, service contracts should be expensed to account 7530.

7910 Accounting Expense

Record fees paid to accounting firms for accounting and tax services. Payroll service and/or outside bookkeeping service payments are coded to the following two accounts.
7912  **Bookkeeping Service Expense**

Payments for an independent bookkeeper who is not an employee of the practice are included here. If the bookkeeper is an employee of the practice, wages would be recorded in account 7166.

7915  **Payroll Service Expense**

Post payments to this account for an independent payroll company service involving preparation of employee paychecks, payroll-related tax returns and filings, and tax fund remittance handling, such as ADP, Paychex, Heartland, or Intuit, among many others.

7918  **Employee Benefits Administration Expense**

This account includes fees paid to a third-party administrator for maintenance of retirement plans (e.g. 401K, SIMPLE IRA, etc.) or other employee benefit plan maintenance, such as Section 125 Cafeteria Plans. Surety bond premium expense is also coded to this account.

7920  **Legal Services**

This account is used for expenses related to ordinary and necessary business expenses related to attorney and legal assistance. Expenses related to business startup, business organization, and business acquisition generally are NOT coded to this account. Special attention must be given to the exact legal services incurred to determine how they should be handled for accounting and tax purposes. These issues are beyond the scope of this handbook, and the practice accountant should be assisting in determination of correct handling.

*TIP: Legal invoices should provide detailed descriptions of the services provided, so that a correct determination can be made relative to tax return preparation.*

7940  **Business Consultation Expense**

Code payments to third party companies and independent contractors for business management advice and consultatory services.
**Fee Income Collection Expenses**

The following accounts should be tracked for practice management purposes and financial oversight. All of the following are entered as a lump-sum total to the related DATALink field called *Fee Income Collection Costs*.

**8010 Bank Charges and Service Fee Expense**

Code payments made for bank and financial management service fees for processing deposits and bounced checks, TeleCheck, maintaining an account or safe deposit box, and providing other services.

**8014 Credit Card Merchant Service Fee Expense**

Client credit card payment of veterinary invoices results in fees assessed to the practice. This account is used to code payments made to or withheld by MasterCard, VISA, American Express, Discover and similar consumer credit cards.

*TIP: Credit card merchant service fees, the cost of offering credit options to clients, should be recorded as an expense. It is easy to mistakenly net these costs with collected revenue in the 5000 account series. Compare the sum total of merchant fees recorded in the practice’s bookkeeping software against the monthly statement(s) provided by the offering companies: the amounts should be equal.*

**8015 CareCredit Service Fee Expense**

This account records the fees paid to CareCredit related to client use of the instant credit system to pay practice invoices. Other instant consumer credit vehicles the practice contracts would result in fees that can be expensed to this account, as well.

*TIP: As with credit card merchant service fees, compare CareCredit discount fees recorded in the bookkeeping software with the monthly statement to ensure accurate reporting of CareCredit fees.*

**8020 Collection Expense**

This account includes fees paid to a collection agency for pursuit of client accounts receivable.
**8030 Bad Debt Expense**

Bad debt expense is recorded at the time of direct write-off of specific client accounts receivable that have been pursued and collection efforts exhausted. This account will be used by accrual basis taxpayers.

**8040 Returned Check Expense**

Record check payments received from clients that did not clear the bank due to insufficient fund balances or were otherwise returned as uncollected by the practice’s bank. If another means of payment is received from the client to settle the returned check, the payment should be offset here. If a re-deposited check successfully clears, then the second deposit is recorded against this account, effectively clearing it to zero. The balance of this account will only include returned checks for which no compensating payment has been received. This account will be used by cash basis taxpayers.
Depreciation and Amortization Account Series 8100 through 8199

These represent accounts for recording “non-cash” deductions for fixed and intangible asset depletion. The amounts are determined by the practice’s property schedules and are entered by journal entry, since the practice makes no payment that would result in the recording of a transaction.

In general, the following accounts are maintained for tax purposes and adjustments guided by the engaged accountant based on tax planning and law. The following are entered as a lump-sum total to DATALink.

8100  Depreciation Expense

8110  Amortization Expense

If your practice does not have depreciation adjustments via its tax accountant, estimates for interim, non-tax reporting purposes can be made as follows, at ownership prerogative:

Spread the cost of fixed asset costs (account 2000-2499) over a 10 year estimated useful life. For example:

- Total Cost $100,000
- Annual Depreciation $100,000/10 = $10,000
- Reporting period Quarterly $10,000 / 4 = $2,500
Other Revenue and Expense Account Series 9000 through 9599 - OVERVIEW

These non-operating accounts fall into three series:

9000-9299 Other Miscellaneous Revenue

9300-9399 Interest Expense

9400-9499 Other Miscellaneous Expense

By accounting convention, other revenues is a term identifying sources of revenues from investments and financing, as compared to operating revenue (5000 series) which presents revenues from the business’s main purpose: veterinary practice.

Likewise, other expenses is a term identifying expenditures related to investments and financing, and not from asset use in the production of veterinary practice revenues.

Other Miscellaneous Revenue Account Series 9000 through 9299

*For DATALink purposes, Other Miscellaneous Revenue and Other Miscellaneous Expenses are combined into one DATALink field called OTHER

In this section, record revenue that is unrelated to daily veterinary practice operations. Post other revenue sources in this section so that owners and managers can assess practice operating profitability before taking other non-operating revenue into account.

The following accounts should be tracked for practice management purposes and financial oversight. All of the following are entered as a lump-sum total to the related DATALink field for Other Revenue.

9000 Gain on Asset Disposition

When the practice sells a fixed asset otherwise used for the production of veterinary revenues at a gain, record the recognized gain to this account. Simultaneously, an adjustment to the fixed asset account and the related accumulated depreciation account will also be made to retire the sold asset from service.

9010 Miscellaneous Revenue
Use this account to report episodic revenue for which there is no other classification. For example, an insurance payment received for damaged property in excess of its repair costs would be recorded here.

Do not post vendor rebates or refunds to this account or elsewhere in the Other Revenue section, but credit them instead as an offset against the related expense account.

**9020 Rent Revenue**

If the practice sublets real estate to other business or individual tenants, post the rent receipts to this account. For example, rental revenue associated with a practice-owned apartment would be coded here.

**9030 Client Service Charge Revenue**

Realized billing and financing charges related to client account receivable balances should be recorded here.

**9040 Seminar & Sponsorship Revenue**

Most often payments (honorariums) received for veterinarian presentations at meetings would be classed in Other Revenue, since most veterinary practices are not in the business of educating colleagues.

Sometimes outside sponsor support of a practice event for clients will exceed expenditures. Excess funds would be reported here, as would any fees paid by clients for attendance.

**9050 Interest Revenue**

Post interest income from all sources, including notes receivable and interest bearing investment accounts to this account. If a variety of interest-bearing investments exists, each interest source can be separately presented by establishing individual interest-revenue account codes to match with the Forms 1099 – INT the practice will receive in the first quarter of the subsequent calendar year.

**9060 Dividend Revenue**

Please see the immediate prior account description of interest revenue posting, as dividends represent a comparable although slightly different form of investment return. The year-end
balance of this account should match the total amount reported on all Forms 1099-DIV the practice receives in the first quarter of the subsequent calendar year.

9070 Interest Revenue/Shareholder & Related Parties

This account is used to record interest earned on practice loans made to shareholders or other related parties. See asset account 1500.
**Interest Expense** Account Series 9300 through 9399

The following accounts should be tracked for practice management purposes and financial oversight. All of the following are entered as a lump-sum total to the related DATALink field for Interest Expense.

9310 *Interest Expense – Bank Financed*

This account records the interest expense portion of debt service payments to financial institutions. The portion of payment related to principal reduction is coded to the corresponding loan account in the practice liability 3000 series.

9320 *Interest Expense – Lease Financed*

This account records the interest expense portion of capital lease payments to lease-finance companies. The portion of payment related to principal reduction of the capitalized lease is coded to the corresponding lease account in the practice liability 3000 series.

9330 *Interest Expense – Other*

This account records the interest expense payments related to vendor and other debt, such as late payment penalties and interest assessed on outstanding credit card liability.

9340 *Interest Expense – Shareholder/Owner*

This account is used to record interest paid on practice debt owed to shareholders or other related parties. See liability account 3050.

**Other Miscellaneous Expense** Account Series 9400 through 9599

*For DATALink purposes, Other Miscellaneous Revenue and Other Miscellaneous Expenses are combined into one DATALink field called OTHER*

The following accounts should be tracked for practice management purposes and financial oversight. All of the following are entered as a lump-sum total to the related DATALink field for Other Expense.

9400 *Loss on Disposition of Business Assets*
When the practice sells or disposes of a fixed asset at a loss, post the loss amount to this account. The journal entry to record the loss will simultaneously adjust the asset account and related accumulated depreciation account to retire the asset removed from service.

9410 Miscellaneous Expense

In this section, record non-recurring expenses unrelated to daily veterinary practice operations.

Do not post operating expenses to this account. The VMGCOA-CA provides plenty of detail in the 6000 through 8999 expense accounts, so that an experienced bookkeeper should be able to decide the best class for posting.

9420 Fines & Penalties

Fines and penalties such as related to late submission of tax filings or traffic tickets are coded to this category, and are non-tax-deductible by law. Late fees for bill and credit card payment are coded to bank fees, account 8010.

9430 Officer/Key Man Life Insurance

Premiums for practice-owned life insurance on the life of a key person(s) for which the practice is also the beneficiary are coded to this account.

Tip: Life insurance which is not owned by the practice and for which the practice is not the beneficiary should not be paid by the practice.

Provision for Income Tax Account Series 9600 through 9999

The following accounts should be tracked for practice management purposes and tax and financial oversight. All of the following are entered as a lump-sum total to the related DATALink field for Federal, State, & Local Income Taxes.

These last accounts pertain mostly to C corporations, personal service corporations, and S corporations that converted from a C corporation or PSC within the previous ten years. In some states, a limited liability company may also incur entity level taxes assessed on income.

Please note these accounts are only used in recording tax on the corporation’s taxable income, and not for payroll taxes, nor for an owner’s individual income tax liabilities.

9600 Federal Income Tax Provision
Record here the federal income tax liability associated with the practice entity’s taxable income, that must be paid by the entity. Taxes owed by practice owners are not recorded on the practice’s books. This tax is not a payroll tax.

9700  State Income Tax Provision

Record here the state income tax liability associated with the practice entity’s taxable income, that must be paid by the entity. Taxes owed by practice owners are not recorded on the practice’s books. This tax is not a payroll tax.

9800  Local Income Tax Provision

Record here the city, regional, or other local income tax liability associated with the practice entity’s taxable income, that must be paid by the entity. Taxes owed by practice owners are not recorded on the practice’s books. This tax is not a payroll tax.
Included are three versions of the same VMGCA-COA for your review and use. Exhibit B will organize your GL accounts in the same order as DATALINK for ease in DATALink input but all three will give the exact same information just formatted a little differently depending on you and your accountant’s preferences. VMG recommends the practice set up their QuickBooks using the Exhibit B format of the VMGCA-CA.

**EXHIBIT A**

**VMGCOA-CA Account List – in AAHA Numerical Order Format**

Exhibit A COA format is for easy reference to find accounts in numerical order.

See Exhibit B for VMGCOA-CA Account List in Format for Input to DATALink Fields, in consecutive order. Exhibit B is the VMG preferred QuickBooks format for easy input to DATALink.

Exhibit A and B are identical for Balance sheet purposes.

**Bold-blue font indicates DATALink input fields**

**BALANCE SHEET ACCOUNTS**

**ASSETS**

*Current Assets Account Series 1000 - 1999*

1010 · Petty Cash  
1020 · Cash in Daily Drawer  
1030 · Undeposited Funds  
1050 · Primary Business Checking Account  
1060 · Secondary Checking Account  
1150 · Savings Account  
1200 · Certificates of Deposit  
1250 · Money Market Account  
1300 · Accounts Receivable  
1350 · **Drugs and Medical Supply Inventory**

1400 · Employee Advances  
1450 · Advances – Officer, Shareholder, Member or Other Related Party or Principal  
1500 · Note Receivable – Officer, Shareholder, Member or Other Related Party or Principal  
1590 · Note Receivable – Other  
1600 · Prepaid Expenses (Other)
1650 · Prepaid Insurance Premiums
1660 · Prepaid Rent
1700 · Prepaid Federal Income Tax
1710 · Prepaid State Income and/or Franchise Tax
1720 · Prepaid Local Income Tax
1800 · Deposits for New Equipment

1850 · Construction In Progress

*Fixed Asset Account Series 2000 - 2499*
2000 · Professional Equipment
2020 · Professional Equipment – Accumulated Depreciation
2050 · Computer Hardware
2060 · Computer Hardware – Accumulated Depreciation
2100 · Office Equipment, Furniture & Fixtures
2120 · Office Equipment, Furniture & Fixtures – Accumulated Depreciation
2150 · Practice Vehicles and Related Equipment
2160 · Practice Vehicles – Accumulated Depreciation
2200 · Leasehold/Building Improvements
2220 · Leasehold/Building Improvements – Accumulated Depreciation
2300 · Buildings
2320 · Buildings – Accumulated Depreciation
2350 · Land Improvements
2360 · Land Improvements – Accumulated Depreciation
2400 · Land
2450 · Accumulated Depreciation (Optional Acct for ALL Deprec.)

*Other Asset Account Series 2500 - 2999*
2500 · Computer Software
2510 · Computer Software – Accumulated Amortization
2520 · Goodwill
2530 · Goodwill – Accumulated Amortization
2560 · Covenant Not to Compete
2570 · Covenant Not to Compete – Accumulated Amortization
2580 · Organizational & Startup Costs
2590 · Organizational and Startup Costs – Accumulated Amortization
2599 · Accumulated Amortization
2600 · Note Receivable, Long Term Portion Less Current Portion
2700 · Refundable Deposits (Rent, Utilities, Etc.)
2850 · Cash Surrender Value Life Insurance Policies

**LIABILITIES**
**Current Liabilities Account Series 3000 - 3599**

3000 – 3099 · Account Series Current Liabilities – General

3000 · Accounts Payable – Trade
3010 – 3015 · Credit Cards Payable
3020 · Line of Credit
3030 · Current Portion of Long Term Notes Payable

3040 · Current Portion of Capital Leases Payable
3050 · Loan Payable – Officer, Shareholder, Member, or Other Related Party

**Account Series Employer Payroll & Benefit Liabilities 3100 - 3199**

3110 · Employer FICA Tax Payable
3120 · Federal Unemployment Tax Payable
3130 · State Unemployment Tax Payable
3140 · Workers Compensation Payable
3150 · Accrued Payroll and Bonuses
3155 · Accrued Vacation and Paid Time Off
3160 · Accrued Payroll Taxes
3170 · Employer Retirement Plan Contribution Payable

**Account Series Employee Payroll and Benefit Liabilities 3200 - 3299**

3200 · Employee Payroll Tax Withholding Payable (Optional Account for Employee Tax Withholding in lieu of itemized accounts 3210-3250)
3210 · Federal Income Tax Withholding Payable
3220 · Social Security Tax Withholding Payable
3230 · Medicare Tax Withholding Payable
3240 · State Income Tax Withholding Payable
3250 · City Income Tax Withholding Payable
3260 · Employee Garnishment Payable
3270 · Health Insurance Premium Withholding Payable
3280 · Retirement Plan Withholding Payable
3290 · Other Employee Withholding Payable

**Account Series Other Tax Liabilities 3400-3499**

3400 · Sales Tax Payable
3410 · Use Tax Payable
3420 · Real Estate Tax Payable
3430 · Personal Property Tax Payable
3500 · Corporate Federal Income Tax Payable
3510 · Corporate State Income Tax Payable
3520 · Local Income Tax Payable

**Long Term Liabilities Account Series 3800 - 3999**

3800 · Long Term Portion of Loans Payable
3840 · Long Term Portion of Capital Lease Payable

**OWNER EQUITY OR CAPITAL ACCOUNTS**

*Equity Account Series 4000 - 4999*
4000 · Common Stock
4100 · Additional Paid In Capital

4200 · Retained Earnings /(Retained Deficit)
4250 · Accumulated Adjustments Account
4300 · Distributions/Dividends/Draws
4400 · Common Stock/Treasury

**REVENUE AND EXPENSE STATEMENT ACCOUNTS**

*Revenues from Operations Account Series 5000 - 5999*

5000 · **Professional Services Revenue**
5001 · Vaccine Revenue (DATALink Optional Subaccount)
5010 · Exam Revenue (DATALink Optional Subaccount)
5020 · Hospitalization & Treatment Revenue (DATALink Optional Subaccount)
5025 · Fluid Therapy Revenue (DATALink Optional Subaccount)
5030 · Diagnostic Services Revenue (DATALink Optional Subaccount)
5040 · Rehabilitation Revenue (DATALink Optional Subaccount)
5045 · Laser Therapy Revenue (DATALink Optional Subaccount)
5050 · Mortuary Revenue (DATALink Optional Subaccount)
5060 · Behavior Service Revenue (DATALink Optional Subaccount)
5070 · Alternative and Complementary Medicine Revenue (DATALink Optional Subaccount)
5095 · Medical Waste Revenue (DATALink Optional Subaccount)

5100 · **Pharmacy Services Revenue**
5110 · Injection Revenue (DATALink Optional Subaccount)
5115 · FDA Prescription Flea/Tick Non-HW Parasite Control Revenue (DATALink Optional Subaccount)
5120 · FDA Prescription HW or Combination HW/Parasite Control Revenue (DATALink Optional Subaccount)
5130 · Internet Pharmacy Revenue (DATALink Optional Subaccount)

5200 · **Dietary Product Revenue**
5201 · Prescription Diet Revenue (DATALink Optional Subaccount)
5202 · Non-Prescription Diet Revenue (DATALink Optional Subaccount)

5300 · **Laboratory Services Revenue**
5301 · In-House Lab Revenue (DATALink Optional Subaccount)
5302 · Outside Lab Revenue (DATALink Optional Subaccount)
### EXHIBIT A – COA BY ACCOUNT NUMERICAL ORDER

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5403</td>
<td><strong>Radiology (X-Ray) Services Revenue</strong></td>
</tr>
<tr>
<td>5404</td>
<td>Dental Radiograph Revenue (Dental X-rays) (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>5405</td>
<td><strong>CT/CAT Services Revenue</strong></td>
</tr>
<tr>
<td>5410</td>
<td><strong>Ultrasound Services Revenue</strong></td>
</tr>
<tr>
<td>5415</td>
<td><strong>MRI Services Revenue</strong></td>
</tr>
<tr>
<td>5500</td>
<td><strong>Surgery Services Revenue</strong></td>
</tr>
<tr>
<td>5502</td>
<td><strong>Anesthesia Services Revenue</strong></td>
</tr>
<tr>
<td>5515</td>
<td><strong>Dentistry Services Revenue</strong></td>
</tr>
<tr>
<td>5800</td>
<td><strong>Other Ancillary Products &amp; Services Revenue</strong></td>
</tr>
<tr>
<td>5801</td>
<td>OTC Products, Shampoos, &amp; Nutriceutical Revenue (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>5803</td>
<td>Non-FDA Flea &amp; Tick Control Product Revenue (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>5804</td>
<td>Internet Ancillary Product Revenue (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>5815</td>
<td>Pet Supplies Retail Revenue (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>5805</td>
<td><strong>Boarding Services Revenue</strong></td>
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<tr>
<td>5810</td>
<td><strong>Grooming Services Revenue</strong></td>
</tr>
<tr>
<td>5890</td>
<td><strong>Fee Discounts &amp; Client Returns</strong></td>
</tr>
<tr>
<td>5891</td>
<td>Fee Discounts (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>5896</td>
<td>Returns and Allowances (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>5900</td>
<td>Large Animal Services Revenue</td>
</tr>
</tbody>
</table>

**Cost of Professional Services Account Series 6000 - 6999**

<table>
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<tr>
<th>Account Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6000</td>
<td><strong>Costs of Professional Services</strong></td>
</tr>
<tr>
<td>6001</td>
<td>Vaccine Costs (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>6020</td>
<td>Examination, Hospitalization, &amp; Treatment Costs (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>6025</td>
<td>Fluid Therapy Costs (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>6040</td>
<td>Rehabilitation Costs (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>6050</td>
<td>Animal Disposal/Mortuary Costs (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>6095</td>
<td>Medical Waste Disposal Costs (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>6100</td>
<td><strong>Pharmacy Costs of Services</strong></td>
</tr>
<tr>
<td>6110</td>
<td>Injection Costs (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>6115</td>
<td>FDA Prescription Flea/Tick Non-HW Parasite Control Products Costs (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>6120</td>
<td>FDA Prescription HW or Combo HW/Parasite Control Products Costs (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>6130</td>
<td>Internet Pharmacy Costs (DATALink Optional Subaccount)</td>
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<tr>
<td>6200</td>
<td><strong>Dietary Product Costs</strong></td>
</tr>
<tr>
<td>6201</td>
<td>Prescription Dietary Product Costs (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>6202</td>
<td>Non-Prescription Dietary Product Cost (DATALink Optional Subaccount)</td>
</tr>
<tr>
<td>6300</td>
<td><strong>Laboratory Cost of Services</strong></td>
</tr>
<tr>
<td>6301</td>
<td>In-House Lab Costs (DATALink Optional Subaccount)</td>
</tr>
</tbody>
</table>
EXHIBIT A – COA BY ACCOUNT NUMERICAL ORDER

6302 · Outside (Reference) Lab Costs (DATAlink Optional Subaccount)

6400 · Radiology & Imaging Costs of Services
6403 · X-Ray Costs (Non-Dental) (DATAlink Optional Subaccount)
6404 · X-Ray Costs (Dental) (DATAlink Optional Subaccount)
6405 · CT/CAT Scan Costs (DATAlink Optional Subaccount)
6410 · Ultrasound Costs (DATAlink Optional Subaccount)

6415 · MRI Costs (DATAlink Optional Subaccount)

6500 · Surgery Costs of Services
6502 · Anesthesia Costs of Services
6515 · Dentistry Costs of Services

6800 · Other Ancillary Service & Product Costs
6801 · OTC Products, Shampoos, & Nutriceuticals (DATAlink Optional Subaccount)
6803 · Non-FDA Flea/Tick Control Costs (DATAlink Optional Subaccount)
6804 · Internet Ancillary Retail Sales Costs (DATAlink Optional Subaccount)
6815 · Pet Supply Costs (DATAlink Optional Subaccount)

6805 · Boarding Cost of Services
6810 · Grooming Cost of Services
6900 · Large Animal Cost of Services

General and Administrative Expenses Account Series 7000 - 8999

Human Resource Expenses Account Series 7000 - 7499

Compensation and Worker Payments Account Series 7000 - 7199

7000 · Compensation – Owner Veterinarians
7005 · Compensation – Owner Veterinarian Management

7080 · Compensation – Non-Owner Veterinarians
7081 · Compensation – Associate Veterinarian
7083 · Contractor Payments – Relief Veterinarian
7085 · Contractor Payments – Veterinary Specialist
7090 · Compensation – Intern Veterinarians

7100 · Compensation – Other Support Staff
7130 · Compensation – Registered Veterinary Technicians
7135 · Compensation – Veterinary/Technical Assistants
7140 · Compensation – Client Service Reps/Receptionists
7180 · Contractor Payment – Other (Non-DVM) Temporary Services
7190 · Compensation – Maintenance Personnel

7150 · Compensation – Kennel Assistants
7155 · Compensation – Groomers

7160 · Compensation – Administrative Personnel
7162 · Compensation – Practice Manager/Administrator
7164 · Compensation – Office Manager/Executive Assistant
7166 · Compensation – Bookkeeper
7168 · Compensation – Clerical/Secretarial Personnel

**Employer Payroll Taxes - Account Series 7200 through 7299**
7210 · FICA Tax Expense – Employer’s Portion
7220 · Federal Unemployment Tax Expense

7230 · State Unemployment Tax Expense
7250 · Other Employer Payroll Tax Expense

**Employee Fringe Benefits Account Series 7300 through 7399**
7300 · Employee Benefit Program Expense
    7301 · Group Health Insurance Premium Expense
    7302 · 2%-Subchapter-S Corporation Shareholder Health Insurance Premium Expense
    7303 · Group Dental Insurance Premium Expense
    7304 · Group Disability Insurance Premium Expense
    7305 · Group Term Life Insurance Premium Expense
7310 · Employer Retirement Contribution Expense
7320 · Professional Liability Insurance Premium Expense
7340 · Workers Compensation Premium/Tax Expense
7360 · Continuing Education Registration Expense
    7361 · Meeting/Course Registration Fees
    7362 · Business & Professional Book, Journals, VIN subscriptions
    7363 · Staff Training Fees and Costs (excludes wages, travel, lodging, meals)
7365 · Travel and Lodging Expense
    7366 · Air Fare
    7367 · Lodging
    7368 · Transportation
    7369 · Mileage Reimbursement (mileage reimbursement for business errands is classed to account 7620)

**Other Employee Expenses Account Series 7400 - 7499**
7400 · Study Group Expenses
    7410 · VMG - Annual VMG Dues/Expenses
    7415 · VMG - Quarterly Fees
    7420 · VMG - Travel Expenses
    7425 · VMG – Meals & Entertainment Expense
    7430 · VMG – Hotel/Lodging Expense
    7435 · VMG – Materials & Production Expense
7440 · *Business Meals & Entertainment Expenses*
7445 · *Staff Events & Recreation Expense*
7450 · *Employee Recruitment Expense*
7460 · *Laundry & Uniform Expense*
7470 · *Employment Practices Liability Insurance*

**Facility and Equipment Expenses Account Series 7500 - 7799**

7500 · *Rent on Practice Real Estate*

**Facility and Equipment Related Expenses**

7510 · Rent on Business Equipment
7515 · Outside Storage Expense
7520 · Maintenance Expense
   7521 · Medical Equipment Maintenance Expense
   7522 · IT and Office Equipment Maintenance Expense
   7523 · Facility Maintenance Expense
7530 · Service Contract Expense
   7531 · Medical Equipment Service Contract Expense
   7532 · IT and Office Equipment Service Contract Expense
   7533 · Facility Service Contract Expense
7540 · Housekeeping & Janitorial Expense
7570 · Repair Expense
   7571 · Medical Equipment Repair Expense
   7572 · IT and Office Equipment Repair Expense
   7573 · Facility Repair Expense
7580 · Property, Casualty, & Liability Insurance Premium Expense
7590 · Real Estate Tax Expense
7600 · Personal Property Tax Expense
7620 · Practice Vehicle Expense
7660 · Utility Service Expense
   7661 · Electricity
   7662 · Natural Gas/Fuel Oil/Propane Gas
   7663 · Sewer
   7664 · Water
7670 · Telephone Service Expense
   7671 · Cellular Phone Service
   7672 · Landline Phone Service
7675 · Cable & Internet Service Expense
7680 · Answering Service Expense
7690 · Rubbish Disposal Expense
# Administrative Expenses Account Series 7700 - 7999

**7800 · Advertising & Promotion Expense**  
7801 · Yellow Page Advertising Expense  
7802 · Website Maintenance Expense  
7803 · Internet Advertising Expense  
7804 · Direct Mailing Expense  
7805 · Client Reminder Expense  
7806 · Memorial Contribution Expense  
7808 · Sponsored Events Expense  
7809 · Marketing Consultant Expense  

**Administrative Expenses**  
7750 · Licenses & Permits  
7760 · Use Tax Paid  
7770 · Franchise Tax Expense  
7780 · Other Tax Expenses  
7790 · Veterinary & Professional Dues Expense  
7810 · Client Education Material  
7820 · Business Gifts and Flowers (Gifts, flowers, cards, food baskets, sympathy expression gifts)  
7830 · Charitable Contribution Expense  
7860 · Computer Supply Expense  
7870 · Office Supply Expense  
7880 · Postage Expense  
7890 · Printing Expense  
7910 · Accounting Expense  
7912 · Bookkeeping Service Expense  
7915 · Payroll Service Expense  
7918 · Employee Benefits Administration Expense  
7920 · Legal Services  
7940 · Business Consultation Expense  

**Fee Income Collection Expenses**  
8010 · Bank Charges and Service Fee Expense  
8014 · Credit Card Merchant Service Fee Expense  
8015 · CareCredit Service Fee Expense  
8020 · Collection Expense  
8030 · Bad Debt Expense  
8040 · Returned Check Expense
Depreciation and Amortization
8100 · Depreciation Expense
8110 · Amortization Expense

Other : Includes Other Miscellaneous Revenue (9000-9299) and Other Miscellaneous Expense (9400-9599)

Other Miscellaneous Revenue
9000 · Gain on Asset Disposition
9010 · Miscellaneous Revenue
9020 · Rent Revenue
9030 · Client Service Charge Revenue
9040 · Seminar & Sponsorship Revenue
9050 · Interest Revenue
9060 · Dividend Revenue
9070 · Interest Revenue/Shareholder & Related Parties

Interest Expense
9310 · Interest Expense – Bank Financed
9320 · Interest Expense – Lease Financed
9330 · Interest Expense – Other
9340 · Interest Expense – Shareholder/Owner

Other Miscellaneous Expense (Included in Other)
9400 · Loss on Disposition of Business Assets
9410 · Miscellaneous Expense
9420 · Fines & Penalties
9430 · Officer/Key Man Life Insurance

Provision for Income Tax
9600 · Federal Income Tax Provision
9700 · State Income Tax Provision
9800 · Local Income Tax Provision
EXHIBIT B– COA BY DATALink FIELD INPUT ORGANIZATION

EXHIBIT B

VMGCOA-CA Account List – FORMAT TO MATCH DATALink FIELDS**

See Exhibit A for VMGCOA-CA Account List in account numerical order format. Exhibit A and B are identical for Balance sheet purposes.

IMPORTANT: When the chart is formatted in QuickBooks using the following layout, the “extended” detailed profit and loss report can be “collapsed” to give grand totals for each DATALink field input, in matching consecutive order with DATALink. This is the preferred QuickBooks set up for VMG members.

Bold-blue font indicates DATALink input fields

BALANCE SHEET ACCOUNTS

ASSETS

Current Assets Account Series 1000 - 1999
1010 · Petty Cash
1020 · Cash in Daily Drawer
1030 · Undeposited Funds
1050 · Primary Business Checking Account
1060 · Secondary Checking Account
1150 · Savings Account
1200 · Certificates of Deposit
1250 · Money Market Account
1300 · Accounts Receivable
1350 · Drugs and Medical Supply Inventory
1400 · Employee Advances
1450 · Advances – Officer, Shareholder, Member or Other Related Party or Principal
1500 · Note Receivable – Officer, Shareholder, Member or Other Related Party or Principal
1590 · Note Receivable – Other
1600 · Prepaid Expenses (Other)
1650 · Prepaid Insurance Premiums
1660 · Prepaid Rent
1700 · Prepaid Federal Income Tax
1710 · Prepaid State Income and/or Franchise Tax
1720 · Prepaid Local Income Tax
1800 · Deposits for New Equipment
1850 · Construction In Progress
Fixed Asset Account Series 2000 through 2499
2000 · Professional Equipment
2020 · Professional Equipment – Accumulated Depreciation (Optional Account)
2050 · Computer Hardware
2060 · Computer Hardware – Accumulated Depreciation (Optional Account)
2100 · Office Equipment, Furniture & Fixtures
2120 · Office Equipment, Furniture & Fixtures – Accumulated Depreciation (Optional Account)
2150 · Practice Vehicles and Related Equipment
2160 · Practice Vehicles – Accumulated Depreciation (Optional Account)
2200 · Leasehold/Building Improvements
2220 · Leasehold/Building Improvements – Accumulated Depreciation (Optional Account)
2300 · Buildings
2320 · Buildings – Accumulated Depreciation (Optional Account)
2350 · Land Improvements
2360 · Land Improvements – Accumulated Depreciation (Optional Account)
2400 · Land
2450 · Accumulated Depreciation (Optional Alternative Account for ALL Accumulated
Depreciation if not itemizing Accumulated Depreciation in prior accounts 2000 through 2369)

Other Asset Account Series 2500 through 2999
2500 · Computer Software
2510 · Computer Software – Accumulated Amortization (Optional Account)
2520 · Goodwill
2530 · Goodwill – Accumulated Amortization (Optional Account)
2560 · Covenant Not to Compete
2570 · Covenant Not to Compete – Accumulated Amortization (Optional Account)
2580 · Organizational & Startup Costs
2590 · Organizational and Startup Costs – Accumulated Amortization (Optional Account)
2599 · Accumulated Amortization (Optional Alternative Account for ALL Accumulated
Amortization if not itemizing Accumulated Amortization in prior accounts 2500 through 2598)
2600 · Note Receivable, Long Term Portion Less Current Portion
2700 · Refundable Deposits (Rent, Utilities, Etc.)
2850 · Cash Surrender Value Life Insurance Policies

LIABILITIES
Current Liabilities Account Series 3000 through 3599
3000 – 3099 · Account Series Current Liabilities – General
3000 · Accounts Payable – Trade
3010 – 3015 · Credit Cards Payable
3020 · Line of Credit
3030 · Current Portion of Long Term Notes Payable
3040 · Current Portion of Capital Leases Payable
3050 · Loan Payable – Officer, Shareholder, Member, or Other Related Party
3100–3199 · Account Series Employer Payroll & Benefit Liabilities
3110 · Employer FICA Tax Payable
3120 · Federal Unemployment Tax Payable
3130 · State Unemployment Tax Payable
3140 · Workers Compensation Payable
3150 · Accrued Payroll and Bonuses
3155 · Accrued Vacation and Paid Time Off
3160 · Accrued Payroll Taxes
3170 · Employer Retirement Plan Contribution Payable
3200 - 3299 · Account Series Employee Payroll and Benefit Liabilities
3200 · Employee Payroll Tax Withholding Payable (Optional Account for Employee Tax Withholding in lieu of itemized accounts 3210-3250)
3210 · Federal Income Tax Withholding Payable
3220 · Social Security Tax Withholding Payable
3230 · Medicare Tax Withholding Payable
3240 · State Income Tax Withholding Payable
3250 · City Income Tax Withholding Payable
3260 · Employee Garnishment Payable
3270 · Health Insurance Premium Withholding Payable
3280 · Retirement Plan Withholding Payable
3290 · Other Employee Withholding Payable
3400-3499 · Account Series Other Tax Liabilities
3400 · Sales Tax Payable
3410 · Use Tax Payable
3420 · Real Estate Tax Payable
3430 · Personal Property Tax Payable
3500 · Corporate Federal Income Tax Payable
3510 · Corporate State Income Tax Payable
3520 · Local Income Tax Payable

Long Term Liabilities Account Series 3800 through 3999
3800 · Long Term Portion of Loans Payable
3840 · Long Term Portion of Capital Lease Payable

OWNER EQUITY OR CAPITAL ACCOUNTS

Equity Account Series 4000 through 4999
4000 · Common Stock
4100 · Additional Paid In Capital
4200 · Retained Earnings /(Retained Deficit)
4250 · Accumulated Adjustments Account
4300 · Distributions/Dividends/Draws
4400 · Common Stock/Treasury

REVENUE AND EXPENSE STATEMENT ACCOUNTS

Revenues from Operations Account Series 5000 through 5999

5000 · Professional Services Revenue
   5001 · Vaccine Revenue (DATAlink Optional Subaccount)
   5010 · Exam Revenue (DATAlink Optional Subaccount)
   5020 · Hospitalization & Treatment Revenue (Optional Subaccount)
   5025 · Fluid Therapy Revenue (DATAlink Optional Subaccount)
   5030 · Diagnostic Services Revenue (DATAlink Optional Subaccount)
   5040 · Rehabilitation Revenue (DATAlink Optional Subaccount)
   5045 · Laser Therapy Revenue (DATAlink Optional Subaccount)
   5050 · Mortuary Revenue (DATAlink Optional Subaccount)
   5060 · Behavior Service Revenue (DATAlink Optional Subaccount)
   5070 · Alternative and Complementary Medicine Revenue (DATAlink Optional Subaccount)
   5095 · Medical Waste Revenue (DATAlink Optional Subaccount)
   5900 · Large Animal Services Revenue

5100 · Pharmacy Services Revenue
   5110 · Injection Revenue (DATAlink Optional Subaccount)
   5115 · FDA Prescription Flea/Tick Non-HW Parasite Control Revenue (DATAlink Optional Subaccount)
   5120 · FDA Prescription HW or Combination HW/Parasite Control Revenue (DATAlink Optional Subaccount)
   5130 · Internet Pharmacy Revenue (DATAlink Optional Subaccount)

5300 · Laboratory Services Revenue
   5301 · In-House Lab Revenue (DATAlink Optional Subaccount)
   5302 · Outside Lab Revenue (DATAlink Optional Subaccount)

5403 · Radiology (X-Ray) Services Revenue
   5404 · Dental Radiograph Revenue (Dental X-rays) (DATAlink Optional Subaccount)

5405 · CT/CAT Services Revenue
5410 · Ultrasound Services Revenue
5415 · MRI Services Revenue
5502 · Anesthesia Services Revenue
5515 · Dentistry Services Revenue
5500 · Surgery Services Revenue
5200 · Dietary Product Revenue
5201 · Prescription Diet Revenue (DATAlink Optional Subaccount)

5202 · Non-Prescription Diet Revenue (DATAlink Optional Subaccount)

5805 · Boarding Services Revenue

5810 · Grooming Services Revenue

5800 · Other Ancillary Products & Services Revenue

5801 · OTC Products, Shampoos, & Nutriceutical Revenue (DATAlink Optional Subaccount)
5803 · Non-FDA Flea & Tick Control Product Revenue (DATAlink Optional Subaccount)
5804 · Internet Ancillary Product Revenue (DATAlink Optional Subaccount)
5805 · Boarding Services Revenue
5810 · Grooming Services Revenue

5890 · Fee Discounts & Client Returns

5891 · Fee Discounts (DATAlink Optional Subaccount)
5896 · Returns and Allowances (DATAlink Optional Subaccount)

Cost of Professional Services Account Series 6000 through 6999

6000 · Costs of Professional Services

6001 · Vaccine Costs (DATAlink Optional Subaccount)
6020 · Examination, Hospitalization, & Treatment Costs (DATAlink Optional Subaccount)
6025 · Fluid Therapy Costs (DATAlink Optional Subaccount)
6040 · Rehabilitation Costs (DATAlink Optional Subaccount)
6050 · Animal Disposal/Mortuary Costs (DATAlink Optional Subaccount)
6095 · Medical Waste Disposal Costs (DATAlink Optional Subaccount)
6900 · Large Animal Cost of Services

6100 · Pharmacy Costs of Services

6110 · Injection Costs (DATAlink Optional Subaccount)
6115 · FDA Prescription Flea/Tick Non-HW Parasite Control Products Costs (DATAlink Optional Subaccount)
6120 · FDA Prescription HW or Combo HW/Parasite Control Products Costs (DATAlink Optional Subaccount)
6130 · Internet Pharmacy Costs (DATAlink Optional Subaccount)

6300 · Laboratory Cost of Services

6301 · In-House Lab Costs (DATAlink Optional Subaccount)
6302 · Outside (Reference) Lab Costs (DATAlink Optional Subaccount)

6400 · Radiology & Imaging Costs of Services

6403 · X-Ray Costs (Non-Dental) (DATAlink Optional Subaccount)
6404 · X-Ray Costs (Dental) (DATAlink Optional Subaccount)
6405 · CT/CAT Scan Costs (DATAlink Optional Subaccount)
6410 · Ultrasound Costs (DATAlink Optional Subaccount)

6415 · MRI Costs (DATAlink Optional Subaccount)

6502 · Anesthesia Costs of Services
6500 · Surgery Costs of Services
6515 · Dentistry Costs of Services

6200 · Dietary Product Costs
   6201 · Prescription Dietary Product Costs (Optional Subaccount)
   6202 · Non-Prescription Dietary Product Cost (Optional Subaccount)

6805 · Boarding Cost of Services
6810 · Grooming Cost of Services

6800 · Other Ancillary Service & Product Costs
   6801 · OTC Products, Shampoos, & Nutriceuticals (Optional Subaccount)
   6803 · Non-FDA Flea/Tick Control Costs (Optional Subaccount)
   6804 · Internet Ancillary Retail Sales Costs (Optional Subaccount)
   6815 · Pet Supply Costs (Optional Subaccount)

General and Administrative Expenses Account Series 7000 through 8999

7800 · Advertising & Promotion Expense
   7801 · Yellow Page Advertising Expense
   7802 · Website Maintenance Expense
   7803 · Internet Advertising Expense
   7804 · Direct Mailing Expense
   7805 · Client Reminder Expense
   7806 · Memorial Contribution Expense
   7808 · Sponsored Events Expense
   7809 · Marketing Consultant Expense

Administrative Expenses
   7750 · Licenses & Permits
   7760 · Use Tax Paid
   7770 · Franchise Tax Expense
   7780 · Other Tax Expenses
   7790 · Veterinary & Professional Dues Expense
   7800 · Client Education Material
   7820 · Business Gifts and Flowers - Gifts, flowers, cards, food baskets, sympathy expression gifts
   7830 · Charitable Contribution Expense
   7860 · Computer Supply Expense
   7870 · Office Supply Expense
7880 · Postage Expense

7890 · Printing Expense
7910 · Accounting Expense
7912 · Bookkeeping Service Expense
7915 · Payroll Service Expense
7918 · Employee Benefits Administration Expense
7920 · Legal Services
7940 · Business Consultation Expense

**Fee Income Collection Expenses**
8010 · Bank Charges and Service Fee Expense
8014 · Credit Card Merchant Service Fee Expense
8015 · CareCredit Service Fee Expense
8020 · Collection Expense
8030 · Bad Debt Expense
8040 · Returned Check Expense

**7500 · Rent on Practice Real Estate**

**Facility and Equipment Related Expenses**
7510 · Rent on Business Equipment
7515 · Outside Storage Expense
7520 · Maintenance Expense
   7521 · Medical Equipment Maintenance Expense
   7522 · IT and Office Equipment Maintenance Expense
   7523 · Facility Maintenance Expense
7530 · Service Contract Expense
   7531 · Medical Equipment Service Contract Expense
   7532 · IT and Office Equipment Service Contract Expense
   7533 · Facility Service Contract Expense
7540 · Housekeeping & Janitorial Expense
7570 · Repair Expense
   7571 · Medical Equipment Repair Expense
   7572 · IT and Office Equipment Repair Expense
   7573 · Facility Repair Expense
7580 · Property, Casualty, & Liability Insurance Premium Expense
7590 · Real Estate Tax Expense
7600 · Personal Property Tax Expense
7620 · Practice Vehicle Expense
7660 · Utility Service Expense
   7661 · Electricity
   7662 · Natural Gas/Fuel Oil/Propane Gas
EXHIBIT B– COA BY DATAlink FIELD INPUT ORGANIZATION

7663 · Sewer
7664 · Water
7670 · Telephone Service Expense
7671 · Cellular Phone Service
7672 · Landline Phone Service
7675 · Cable & Internet Service Expense
7680 · Answering Service Expense
7690 · Rubbish Disposal Expense

Other Employee Expenses Account Series
7400 · Study Group Expenses
  7410 · VMG - Annual VMG Dues/Expenses
  7415 · VMG - Quarterly Fees
  7420 · VMG - Travel Expenses
  7425 · VMG – Meals & Entertainment Expense
  7430 · VMG – Hotel/Lodging Expense
  7435 · VMG – Materials & Production Expense
7440 · Business Meals & Entertainment Expenses
7445 · Staff Events & Recreation Expense
7450 · Employee Recruitment Expense
7460 · Laundry & Uniform Expense
7470 · Employment Practices Liability Insurance

7000 · Compensation – Owner Veterinarians
7005 · Compensation – Owner Veterinarian Management
7080 · Compensation – Non-Owner Veterinarians
  7081 Compensation – Associate Veterinarian
  7083 · Contractor Payments – Relief Veterinarian
  7085 · Contractor Payments – Veterinary Specialist
  7090 · Compensation – Intern Veterinarians

7100·Compensation – Other Support Staff
  7130 · Compensation – Registered Veterinary Technicians
  7135 · Compensation – Veterinary/Technical Assistants
  7140 · Compensation – Client Service Reps/Receptionists
  7180 · Contractor Payment – Other (Non-DVM) Temporary Services
  7190 · Compensation – Maintenance Personnel

7160·Compensation – Administrative Personnel
  7162 · Compensation – Practice Manager/Administrator
  7164 · Compensation – Office Manager/Executive Assistant
  7166 · Compensation – Bookkeeper
  7168 · Compensation – Clerical/Secretarial Personnel

7155·Compensation – Groomers
7150: Compensation – Kennel Assistants

**Employer Payroll Taxes**
- 7210: FICA Tax Expense – Employer’s Portion
- 7220: Federal Unemployment Tax Expense
- 7230: State Unemployment Tax Expense
- 7250: Other Employer Payroll Tax Expense

**Employee Fringe Benefits Account Series**
- 7300: Employee Benefit Program Expense
  - 7301: Group Health Insurance Premium Expense
  - 7302: 2%-Subchapter-S Corporation Shareholder Health Insurance Premium Expense
  - 7303: Group Dental Insurance Premium Expense
  - 7304: Group Disability Insurance Premium Expense
  - 7305: Group Term Life Insurance Premium Expense
- 7310: Employer Retirement Contribution Expense
- 7320: Professional Liability Insurance Premium Expense
- 7340: Workers Compensation Premium/Tax Expense
- 7360: Continuing Education Registration Expense
  - 7361: Meeting/Course Registration Fees
  - 7362: Business & Professional Book, Journals, VIN subscriptions
  - 7363: Staff Training Fees and Costs (excludes wages, travel, lodging, meals)
- 7365: Travel and Lodging Expense
  - 7366: Air Fare
  - 7367: Lodging
  - 7368: Transportation
  - 7369: Mileage Reimbursement (CE Travel)

**Interest Expense**
- 9310: Interest Expense – Bank Financed
- 9320: Interest Expense – Lease Financed
- 9330: Interest Expense – Other
- 9340: Interest Expense – Shareholder/Owner

**Provision for Income Tax**
- 9600: Federal Income Tax Provision
- 9700: State Income Tax Provision
- 9800: Local Income Tax Provision

**8100 Depreciation Expense**
**8110 Amortization Expense**

**Other Miscellaneous Expenses & Revenues**
9400 · Loss on Disposition of Business Assets
9410 · Miscellaneous Expense
9420 · Fines & Penalties
9430 · Officer/Key Man Life Insurance
9000 · Gain on Asset Disposition
9010 · Miscellaneous Revenue
9020 · Rent Revenue
9030 · Client Service Charge Revenue
9040 · Seminar & Sponsorship Revenue
9050 · Interest Revenue
9060 · Dividend Revenue
9070 · Interest Revenue/Shareholder & Related Parties
See Exhibit A for VMGCOA-CA Account list in numerical order format. See Exhibit B for VMGCOA-CA Account List in Format for Field Matching Input to DATALink, in consecutive order.

This exhibit is presented for practices that wish to have a concise managerial balance sheet and profit and loss report generated from QuickBooks, using the VMG COA for Companion Animal Practices and also for expediting bookkeeper reporting to DATALink.

Account numbers are as in Exhibit A and B. Subaccounts are set to collapse reports through QuickBooks into “at a glance” evaluation of major account types. This format will give you DATALink field inputs, while retaining major expense categories for practice trending and analysis.

Each account must be set to the correct TYPE in QuickBooks (Bank, Accounts Receivable, Other Current Asset, Fixed Asset, Other Asset, Accounts Payable, Credit Card, Other Current Liabilities, Long Term Liability, Equity, Income, Cost of Goods Sold, Expense, Other Income, Other Expense)

Don’t set up accounts that your bookkeeper won’t use because they aren’t pertinent to your practice (for example: Goodwill, Second Checking Account, Utility: sewer, etc.)

Bold-blue font indicates DATALink input fields

<table>
<thead>
<tr>
<th>QuickBooks Account Title (&amp; Number where applicable)</th>
<th>Qbks Acct.TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1010 · Petty Cash</td>
<td>Bank</td>
</tr>
<tr>
<td>1020 · Cash in Daily Drawer</td>
<td>Bank</td>
</tr>
<tr>
<td>1030 · Undeposited Funds</td>
<td>Bank</td>
</tr>
<tr>
<td>1050 · Primary Business Checking Account</td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>1060 · Secondary Checking Account</td>
<td>Bank</td>
</tr>
<tr>
<td>1150 · Savings Account</td>
<td>Bank</td>
</tr>
<tr>
<td>1200 · Certificates of Deposit</td>
<td>Bank</td>
</tr>
<tr>
<td>1250 · Money Market Account</td>
<td>Bank</td>
</tr>
<tr>
<td>1300 · Accounts Receivable</td>
<td>Accounts Receivable</td>
</tr>
<tr>
<td><strong>1350 · Drugs and Medical Supply Inventory</strong></td>
<td>Other Current Asset</td>
</tr>
<tr>
<td>Account Number</td>
<td>Description</td>
</tr>
<tr>
<td>----------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>1400</td>
<td>Employee Advances</td>
</tr>
<tr>
<td>1450</td>
<td>Advances – Officer, Shareholder, Member or Other Related Party or Principal</td>
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<td>1500</td>
<td>Note Receivable – Officer, Shareholder, Member or Other Related Party or Principal</td>
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<td>1590</td>
<td>Note Receivable – Other</td>
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<td>Prepaid Expenses (Other)</td>
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<td>1650</td>
<td>Prepaid Insurance Premiums</td>
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<td>1660</td>
<td>Prepaid Rent</td>
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<td>1700</td>
<td>Prepaid Federal Income Tax</td>
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<tr>
<td>1710</td>
<td>Prepaid State Income and/or Franchise Tax</td>
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<td>1720</td>
<td>Prepaid Local Income Tax</td>
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<tr>
<td>1800</td>
<td>Deposits for New Equipment</td>
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<td>1850</td>
<td>Construction In Progress</td>
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<td>2000</td>
<td>Professional Equipment – Orig. Cost</td>
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<tr>
<td>2020</td>
<td>Professional Equip. – Accum. Depreciation</td>
</tr>
<tr>
<td>2050</td>
<td>Computer Hardware – Orig. Cost</td>
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<tr>
<td>2060</td>
<td>Computer Hardware – Accum. Depreciation</td>
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<tr>
<td>2100</td>
<td>Office Equipment, Furniture &amp; Fixtures - Cost</td>
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<tr>
<td>2120</td>
<td>Office Equip, Furn. &amp; Fixtures – Accum. Depr.</td>
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<tr>
<td>2150</td>
<td>Practice Vehicles – Original Cost</td>
</tr>
<tr>
<td>2160</td>
<td>Practice Vehicles – Accumulated Deprecation</td>
</tr>
<tr>
<td>2200</td>
<td>Leasehold/Building Improvements – Orig. Cost</td>
</tr>
<tr>
<td>2220</td>
<td>Leasehold/Building Improvements – Accum. Depr.</td>
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<tr>
<td>2300</td>
<td>Buildings – Original Cost</td>
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<td>2320</td>
<td>Buildings – Accumulated Depreciation</td>
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<td>2350</td>
<td>Land Improvements</td>
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<td>Land Improvements – Accum. Depreciation</td>
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<td>2400</td>
<td>Land</td>
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<td>2500</td>
<td>Computer Software – Original Cost</td>
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<tr>
<td>2510</td>
<td>Computer Software – Accum. Amortization</td>
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<tr>
<td>Code</td>
<td>Description</td>
</tr>
<tr>
<td>--------</td>
<td>-------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Goodwill</td>
<td>2520 · Goodwill – Original Acquisition Cost</td>
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<tr>
<td></td>
<td>2530 · Goodwill – Accumulated Amortization</td>
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<tr>
<td>Covenant Not to Compete</td>
<td>2560 · Covenant NonCompete – Orig. Acquis. Cost</td>
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<tr>
<td></td>
<td>2570 · Covenant NonCompete – Accum. Amortization</td>
</tr>
<tr>
<td>Organizational &amp; Startup Costs</td>
<td>2580 · Organiz. &amp; Startup Costs – Original Expense</td>
</tr>
<tr>
<td></td>
<td>2590 · Organiz. &amp; Startup Costs – Accum. Amortiz.</td>
</tr>
<tr>
<td>Note Receivable, Long-Term Portion Less Current</td>
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# REVENUE AND EXPENSE STATEMENT ACCOUNTS

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<td>5415 · MRI Services Revenue</td>
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**COST OF PROFESSIONAL SERVICES**

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</table>
### Exhibit C – COA for QuickBooks® Managerial Statements

#### Cost of Goods Sold
- 6800 · Other Ancillary Service & Product Costs
  - 6801 OTC Products, Shampoos, & Nutriceuticals
  - 6803 Non-FDA Flea/Tick Control Costs
  - 6804 Internet Ancillary Retail Sales Costs
  - 6815 Pet Supply
- 6805 · Boarding Cost of Services
- 6810 · Grooming Cost of Services

#### Cost of Labor

##### Taxable Compensation

#### Veterinarians (& Misc. Owners)
- 7000 Comp. – Owner Veterinarians
- 7005 Comp. – Owner Veterinarian Mngmnt.
- 7080 Comp. – Non-Owner Veterinarians
  - 7081 Compensation Associate Veterinarians
  - 7083 Contractor Payments – Relief DVM
  - 7085 Contractor Payments – Vet.Specialist
  - 7090 Compensation – Intern Veterinarians

#### Non-DVM Workers
- 7100 Compensation – Other Support Staff
  - 7130 Comp. – Registered Vet. Technicians
  - 7135 Comp. – Vet./Technical Assistants
  - 7140 Client Service Reps/Receptionists
  - 7180 Contractor Payment – Other (Non-DVM) Temporary Services
  - 7190 Comp. – Maintenance Personnel
- 7150 Compensation – Kennel Assistants
- 7155 Compensation – Groomers
- 7160 Comp. – Administrative Personnel
  - 7162 Practice Manager/Administrator
  - 7164 Office Manager/Executive Assistant
  - 7166 Compensation – Bookkeeper
  - 7168 Comp. – Clerical/Secretarial Personnel

##### Employer Payroll Tax Expense
- 7210 FICA Tax Expense – Employer’s Portion
- 7220 Federal Unemployment Tax Expense
- 7230 State Unemployment Tax Expense
- 7250 Other Employer Payroll Tax Expense

##### Employee Fringe Benefit Expense
- 7300 Employee Benefit Program Expense
- 7301 Group Health Insurance Premium Exp.
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<td>Staff Training Fees and Costs (excludes wages, travel, lodging, meals)</td>
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**OTHER EMPLOYEE EXPENSES**

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<td>VMG - Quarterly Fees</td>
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<td>VMG – Hotel/Lodging Expense</td>
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<td>VMG – Materials &amp; Production Exp.</td>
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**FACILITY AND PROPERTY EXPENSE**

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**Facility and Equipment Related Expenses**

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<td>Veterinary &amp; Professional Dues Expense</td>
</tr>
<tr>
<td>7810</td>
<td>Client Education Material</td>
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<tr>
<td>7807</td>
<td>Business Gifts and Flowers</td>
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<tr>
<td>7830</td>
<td>Charitable Contribution Expense</td>
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<tr>
<td>7860</td>
<td>Computer Supply Expense</td>
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<tr>
<td>7870</td>
<td>Office Supply Expense</td>
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<tr>
<td>7880</td>
<td>Postage Expense</td>
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<tr>
<td>7890</td>
<td>Printing Expense</td>
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<tr>
<td>7910</td>
<td>Accounting Expense</td>
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<tr>
<td>7912</td>
<td>Bookkeeping Service Expense</td>
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<tr>
<td>7915</td>
<td>Payroll Service Expense</td>
</tr>
<tr>
<td>7918</td>
<td>Employee Benefits Administration Exp.</td>
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<td>7920</td>
<td>Legal Services</td>
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<tr>
<td>7940</td>
<td>Business Consultation Expense</td>
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<tr>
<td>7910</td>
<td>Bank Charges and Service Fee Expense</td>
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<tr>
<td>8014</td>
<td>Credit Card Merchant Service Fee Exp.</td>
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<td>8015</td>
<td>CareCredit Service Fee Expense</td>
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<td>8020</td>
<td>Collection Expense</td>
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<td>Bad Debt Expense</td>
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<td>Returned Check Expense</td>
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<td>8100</td>
<td>Depreciation Expense</td>
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<td>Amortization Expense</td>
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<td>9000</td>
<td>Gain on Asset Disposition</td>
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<tr>
<td>9010</td>
<td>Miscellaneous Revenue</td>
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<td>9020</td>
<td>Rent Revenue</td>
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<td>Client Service Charge Revenue</td>
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<td>Seminar &amp; Sponsorship Revenue</td>
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<td>9050</td>
<td>Interest Revenue</td>
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<td>Dividend Revenue</td>
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<tr>
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<td>Interest Rev./Shareholder &amp; Related Parties</td>
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<tr>
<td>9310</td>
<td>Interest Expense – Bank Financed</td>
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<tr>
<td>9320</td>
<td>Interest Expense – Lease Financed</td>
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<td>9330</td>
<td>Interest Expense – Other</td>
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<td>9340</td>
<td>Interest Expense – Shareholder/Owner</td>
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**Other Miscellaneous Expense**

<table>
<thead>
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<th>Code</th>
<th>Description</th>
<th>Other Expense</th>
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</thead>
<tbody>
<tr>
<td>9400</td>
<td>Loss on Disposition of Business Assets</td>
<td>Other Expense</td>
</tr>
<tr>
<td>9410</td>
<td>Miscellaneous Expense</td>
<td>Other Expense</td>
</tr>
<tr>
<td>9420</td>
<td>Fines &amp; Penalties</td>
<td>Other Expense</td>
</tr>
<tr>
<td>9430</td>
<td>Officer/Key Man Life Insurance</td>
<td>Other Expense</td>
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**Provision for Income Tax**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Other Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>9600</td>
<td>Federal Income Tax Provision</td>
<td>Other Expense</td>
</tr>
<tr>
<td>9700</td>
<td>State Income Tax Provision</td>
<td>Other Expense</td>
</tr>
<tr>
<td>9800</td>
<td>Local Income Tax Provision</td>
<td>Other Expense</td>
</tr>
</tbody>
</table>

*Other Miscellaneous Revenue and Other Miscellaneous Expense should be combined under DATALink input field *Other*
**Glossary**

**Accounting**
The activity of recording economic events in a uniform, methodic fashion. Accounting is often referred to as “the language of business”. Accounting measures, records, reports, and interprets the financial aspects of a practice.

**Accounting equation**
The algebraic formula underlying the beautiful, mathematic symmetry of a business’s financial status, charting the business’s cumulative record from its inception. The formula proves that the sum total of a practice’s assets equals the sum total of its liabilities at any given time. The formula can be expanded to show the various components contributing to the asset side or the liability side of equation. Probably the most familiar presentation of the accounting equation shows the sum total of a practice’s assets equals the sum total of outside party liabilities plus owner-owned liabilities (otherwise called “equity” or “capital”): Assets = Liabilities + Equity.

**Accounting method**
A set of rules used to determine how and when to report revenues and expenses. Tax laws guide what choices a practice may make, dependent on a wide number of factors. A practice’s choice of accounting method determines the accounting treatment for any material item, the financial reporting of that item, and the timing for recognition of that item from a tax perspective.

**Accounts payable**
Bills and vendor liabilities due for payment by the practice as part of the normal course of practice activity. Money the practice owes to regular business creditors/practice vendors, and generally accruing from the previous month of supply and service purchases.

**Accounts receivable**
Debts owed to the veterinary practice, usually from client sales on credit. Money owed to the practice from its clients in exchange for veterinary care, previously given. Client amounts owed are generally due within thirty days of the invoice date.
Accrual basis accounting
The accounting method which recognizes revenues as income in the period they are earned, regardless of when the client pays, and which recognizes expenses in the period the liability for paying them is incurred, regardless of when payment is made. Accrual basis accounting is the opposite of cash basis accounting. The exchange of cash is irrelevant to the financial reporting of revenues or expenses. Accrual based accounting matches expenses with the revenue produced in a given time period, and as such provides management a more accurate assessment of practice profit. VMG strongly recommends accrual based accounting for DATALink and group data reporting purposes, as well as for managerial accounting. Also see revenue recognition principle.

Accumulated amortization
A permanent balance sheet account relating to intangible asset accounts, that reports the sum-total recorded amortization amounts for a specific asset or group of assets at a specific point in time; thus, amortization accumulates over time. Total accumulated amortization reduces the historical cost of capitalized intangible assets. With the passage of each month, the accumulated amortization balance increases by the most recent month’s booked amortization expense. At the end of the estimated useful life of the intangible asset, its original recorded cost will exactly match its total accumulated amortization, resulting in a net value of zero. Also see amortization and amortization schedule.

Accumulated depreciation
A permanent balance sheet account relating to fixed asset accounts, that reports the sum-total recorded depreciation amounts for a specific asset or group of assets at a specific point in time; thus, depreciation accumulates over time. Total accumulated depreciation reduces the historical cost of capitalized assets. With the passage of each month, the accumulated depreciation balance increases by the most recent month’s booked depreciation expense. At the end of the estimated useful life of the asset, its original recorded cost will exactly match its total accumulated depreciation, resulting in a net value of zero. Also see depreciation and depreciation schedule.

Acid test ratio
The ratio calculated by dividing the sum of cash, receivables and marketable securities by the total value of current liabilities. The acid test ratio is a rough test of a practice’s ability to meet its immediate cash requirements.

\[
\text{Cash} + \text{Net Accounts Receivable} + \text{Marketable Securities} \\
\text{Current Liabilities}
\]
GLOSSARY

Adjusting journal entries
Bookkeeping entries made to bring the ledger accounts up to date for the preparation of financial statements, and which are not specific financial transactions (like the payment of a bill or the deposit of a client payment). Adjusting journal entry examples include booking depreciation expense and interest expense owed.

AICPA
American Institute of Certified Public Accountants, the chief organization overseeing the accounting profession and promulgating guidelines to provide assurance to third party users of financial reports.

AIPB
American Institute of Professional Bookkeepers, an organization that provides for the testing, certification, ethical guidelines, and continuing education of bookkeepers.

Amortization
The periodic expense attributed to the decline in usefulness of an intangible asset. Similar to depreciation, it is the process of gradually reducing the value of an asset over its useful life, to reflect an estimate of its use in producing revenues over many financial periods.

Amortization schedule
A timetable presenting a list of intangible assets, an estimate of useful life expectancies (or defined lives for tax purposes), the amount of each asset the bookkeeper should expense in each financial period, and the remaining asset-value balances to be expensed in future financial periods. Also see loan amortization schedule.

Assets
The property owned by the practice, the value of which can be measured in monetary terms. Assets can be tangible or intangible, and include cash, accounts receivable, and inventory. Assets represent future economic benefits owned or controlled by a veterinary practice resulting from past transactions.

Audit
An examination or verification of financial records or accounts by a qualified professional.

Audit report
A financial report prepared by a CPA which involves prescribed analysis of transactions, testing of account balances, and physical inspection and observation of business operations. CPA audited financial statements are uncommonly required of veterinary
practice entities, with exceptions related to publicly traded or highly-leveraged corporate combinations. The highest level of CPA attestation. Also see compilation letter and review report.

**B**

**Balance sheet**
A financial statement listing the assets, liabilities, and owners’ equity of the practice as of a specific date. Balance sheet accounts are permanent accounts. At any specific date the sum total of asset accounts equals the summation of all liability and equity accounts (Assets = Liabilities + Equity). The equation is always in equilibrium, hence the name “Balance Sheet”. Also see accounting equation.

**Board of Directors (BOD)**
In parlance of business governance, this is the group of individuals who are elected or appointed to represent owner interests in overseeing the activities of the veterinary practice and function as the highest authority for management directives. The BOD often includes owners, but can include unrelated parties such as an attorney or other trusted advisor. The board’s duties, responsibilities and powers are generally defined by the practice’s bylaws.

**Book value**
1. Also known as net book value. With respect to assets, the capitalized cost of an asset less accumulated depreciation, depletion or amortization as it appears on the practice’s accounting books. 2. With respect to the entire veterinary practice operating entity, the difference between total assets (net of depreciation, depletion, and amortization) and total liabilities of an enterprise as they appear on the balance sheet, using whatever method of accounting the practice has elected. Also see accounting method.

**Break-even analysis**
A financial schedule listing sales, fixed costs and variable costs from which contribution margins, break-even volumes and the amounts above or below break-even volume are calculated.

**Break-even point**
That level of practice volume at which total revenue equals costs. The production amount that a practice needs to equal its running expense rate and not lose or make money in a given month.

**Budget statement**
A financial statement detailing management’s plan for revenue production and expenses
for a specific accounting period. Budgeting is a process of formal financial planning for a veterinary practice.

C

Capital
The rights (equity) of the owners in a business enterprise. Total practice assets less total liabilities equals the amount of capital or equity at a given date.

Capital costs
One time expenditures for assets used over time for providing veterinary services, that include all costs to bring the asset to operable status such as construction and installation labor costs. Such expenditures are fixed and independent of practice activity levels. Also see capital-related costs.

Capital lease
Also called a purchase lease, a contractual agreement between the owner of the leased property (lessor) and the user of the leased property (lessee) in which the contract terms provide for eventual transfer of property ownership to the lessee. Most equipment leases are capital leases, wherein the veterinary practice will take title to the leased equipment at the end of the contract by paying a nominal fee, such as one dollar. Capital leases are a convenient, but often expensive, way of financing equipment acquisition. Also see equipment lease, lease, and operating lease.

Capital-related costs
Book adjustments and expenditures which relate to practice fixed assets used up over time, including:

1. Net depreciation expense, adjusted by gains and losses realized from the disposal of depreciable assets.
2. Leases and rentals, for the use of assets that would be depreciable if the practice owned them outright.
3. Betterments and improvements, which extend the estimated life of an asset at least two years beyond the original estimated useful life.
4. The cost of minor equipment, which is charged off to expense rather than capitalized.
5. Interest expense incurred when acquiring land or depreciable practice assets, or incurred when refinancing debt originally used to acquire land or depreciable assets used for patient care.
6. Insurance on depreciable assets, or insurance that provides for the payment of
capital-related costs during business interruption.
7. Taxes on land or depreciable assets.

Also see *capital costs* and *fixed assets*.

**Capital structure**
The composition of the invested capital of a veterinary practice.

**Capitalization**
1. The conversion of income into value. 2. The capital structure of a business enterprise. 3. The recognition of an expenditure as a capital asset rather than a period expense.

**Capitalization factor**
Any multiple used to convert income into value.

**Capitalization policy**
Policy established by the practice’s board of directors that provides guidelines to the bookkeeping department and chief financial officer about what purchases must be capitalized (booked as assets) and what asset purchases can be expensed. While many capital acquisitions, such as vehicle purchases, are clearly booked as assets, some are relatively inconsequential and as such, create a time and cost burden to account for them. The board of directors defines the parameters of asset purchases that have greater than one year of useful life in the practice. The guidelines tell the bookkeeper which inconsequential assets can simply be expensed in the period of purchase, rather than capitalizing them and writing them off over time through depreciation deductions.

**Capitalization rate**
Any divisor (usually expressed as a percentage) used to convert income into value.

**Cash**
The practice’s bank balance, or checking account balance, or real cash in bills and coins.

**Cash basis accounting**
An accounting method, especially for income tax purposes, where revenues are recorded in the accounting books only when cash is received for services provided. Similarly, expenses are recorded only when cash is paid for the resources necessary to generate practice revenues, regardless of when the liability for payment of such liabilities is incurred. Cash-based accounting is the opposite of the accrual basis, where revenues are recognized when services are provided, and expenses are recognized when a liability for payment is incurred.
Cash equivalent
A highly liquid instrument that can be used like money, such as a personal check, a traveler’s check or funds in a money market account.

Cash flow statement
A statement presenting a practice’s sources and uses of cash, categorized as operating, investing, and financing activities.

Chart of accounts
An organized listing of titles of all of the asset, liability, equity, income and expense categories used in a business entity.

Client
The preferred term (rather than customer) for referring to the owners of animals who seek veterinary services.

Cocktail
In veterinary medicine, a combination of two or more injectable drugs mixed and used together to treat the patient.

Collateral
Borrower assets pledged to a lender as a condition of a money loan, to mitigate the lender’s risk that the borrower will default.

Common size statements
Statements in which each line is expressed as a percentage of the total (e.g., percentage of total assets on a balance sheet, or percentage of sales on an income statement). This is usually the first step in ratio analysis of financial statements, so that multiple financial periods can be more easily compared.

Compilation letter
A standardized CPA-prepared financial report that represents transactional information provided by management. A compilation is the representation of management, not of the CPA, and is the most common type of financial statement presentation prepared by CPAs for veterinary purposes.

Contra account
An account which directly offsets another balance sheet account. For example, accumulated depreciation (a credit) is placed in the asset section of the balance sheet.
(normally reserved for debit accounts).

**Corporation**
From the Latin word for body, *corpus*. A corporation is a legal construct that provides for one or more individuals (the incorporators) to petition the state for recognition of an entity created for a specific purpose (in this case, the conduct of veterinary practice, for profit). When the secretary of state grants permission, the corporation becomes an entity having perpetual life, separate and apart from that of its incorporators or of its shareholders (owners). The corporation must abide by the legal requirements of the state to maintain active operations. A corporation provides limited liability for its shareholders; that is, they are not obligated for the debts of the corporation and creditors must look to the corporation’s assets for payment of debt. Corporations also pay corporation taxes on its earnings, which includes any dividends paid to investors. Also see *S corporation*.

**Cost accounting**
A type of accounting common to manufacturing that traces each production cost to a single item that will be sold, such as a single vial of West Nile vaccine. Cost accounting is extremely difficult in a professional service company such as a veterinary practice; although procedures are repetitive, each application to a particular patient varies, from volumes of drugs to the time and effort of personnel treating the animal.

**Cost of professional services (COPS)**
The direct patient costs associated with producing veterinary service and related revenues. The VMG Chart of Accounts COPS series (6000’s) does not include employee labor costs. It does include drugs, professional supplies, laboratory expenditures, hospital and barn supplies, mortuary costs, and similar expenses that can be traced to a specific patient.

**Cost principle**
The cost of assets should include the expenditures necessary to acquire the asset and the expenditures necessary to make the asset ready for use. The cost is measured by cash or cash equivalent price paid.

**CPA**
Abbreviation for Certified Public Accountant, a designation indicating five years of college education (usually with a degree in accounting), certification through rigorous testing and ongoing continuing education requirements, minimally 24 months of experience in public accounting, and state licensure.

**Credit**
In double-entry accounting, any change in an account balance must match with a change in one or more other accounts, so that the business ledger is always in perfect balance. Journal entries made to the right side of the ledger are called credits, while the left-hand entries that balance credits, are called debits. Also see \textit{debit}.

**Current assets**
Cash and other assets that are expected to be turned into cash or consumed within one year.

**Current liabilities**
Money owed that will ordinarily be paid within one year (twelve months). The practice pays current liabilities by liquidating current assets.

**Current portion of long-term debt**
The principal portion of a loan or other debt contractually required to be repaid within the next 12 months. Of the remaining amount of the loan, the principal portions to be paid in greater than 12 months are called the long-term portion. See also \textit{long-term liabilities}.

**Current ratio**
Measures liquidity and estimates the practice’s ability to meet short-term obligations, by dividing the practice’s total current assets by its total current liabilities.

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

**D**

**Debit**
In double-entry accounting, the transactional entry made on the left hand of the ledger sheet, with an equal and opposite credit entry made in another account. At all times, the total debit amount equals the total credit amount. Also see \textit{credit}.

**Depreciation**
A method to estimate and record the reduction in the useful value of fixed assets due to wear and tear, passage of time, and obsolescence. Also see \textit{economic life}.

**Depreciation schedule**
Sometimes also called a property schedule, a timetable presenting a list of tangible property, an estimate of useful life expectancies (or defined lives for tax purposes), the amount of each asset the bookkeeper should expense in each financial period, and the
remaining asset-value balances to be expensed in future financial periods. The depreciation schedule typically discloses the original acquisition cost, the original put-in-service date, a detailed description of each asset, and the total amount of depreciation recorded to date. Also see accumulated depreciation and depreciation.

**Direct costs**
Costs that can be readily identified with or traced to a particular department, product, or activity.

**Disability Overhead Insurance**
A type of insurance policy also known as Business Overhead Expense (BOE) insurance that provides payment of the insured’s practice overhead expenses if he or she becomes disabled, such as rent, utilities, and payroll. It is not personal disability insurance, which would act to replace some portion of the salary or wages of the insured person.

**Discount rate**
A yield rate used to convert anticipated future payments or receipts into present value.

**Distributions**
See Dividends.

**Dividends**
Past and current profit distributed to the owners as money or some other asset with stated value. Dividend is a specific term for owner profit-payments made through a veterinary practice structured as a corporation. In a corporation that has elected to be an S corporation (Subchapter S of the Internal Revenue Code), or is a partnership, such profit payments are called distributions. If the practice is a sole-proprietorship, profit payments are called draws.

**Double-entry accounting**
The recommended method of recording a veterinary practice’s transactional activity, wherein each transaction affects at least two accounts, where the total of debit values is equal to the total of all credit values. For example, inventory value increases (debit inventory) when drugs are purchased, and accounts payable increase by the same amount (credit accounts payable). When the vendor is paid (debit accounts payable), cash in checking decreases by the same amount (credit cash). Double-entry accounting provides additional assurance of bookkeeping accuracy, thus reducing mistakes, because journal entries must always balance.

**Draw**
See *Dividends*.

**E**

**Earnings**
Also called net profit, earnings equal revenues less costs of sales and general and administrative expenses.

**Economic entity assumption**
The assumption that an entity is entirely separate from its owners, and the transactions of the entity are entirely separate from those of its owners.

**Economic life**
The estimated useful time an asset can be used in a business entity to contribute to income production. If the asset has a useful life of greater than one year, then it is capitalized rather than expensed in the financial period of purchase. A portion of the asset is then expensed in each subsequent financial period to reflect its gradual using up over its estimated life expectancy. Also see *depreciation*.

**Equipment lease**
A contractual agreement in which the veterinary practice agrees to pay a monthly fee over a predetermined time in exchange for the use of equipment owned by an outside party. The veterinary practice does not have title to the equipment and is obligated to return it to the lessor (property owner) at the end of the contract time. The terms of the lease contract determine whether the lease is a capital lease (almost always) or an operating lease. Also see *lease, capital lease* and *operating lease*.

**Equity**
Money invested by owners in the veterinary practice plus profits and minus any losses and any profit distributions. Also defined as the value that remains after subtracting total liabilities from total assets.

**Excess earnings**
The level of economic income above and beyond the fair rate of return on the net asset base used to generate that economic income. Also called excess economic income.

**Expenses**
Costs of assets consumed or services used in the process of doing business. Expenses are a decrease to owner’s equity.
**Fair market value**

The amount at which property would change hands between a willing seller and a willing buyer when neither is under compulsion and when both have reasonable knowledge of the relevant facts. This is an economic concept that refers to the compensation of the property-holder for the level of economic utility that the property possesses.

**Fee for services**

A method of charging clients for services or treatment in which a veterinarian bills for each patient encounter or treatment or service rendered.

**Fee schedule**

A list of established charges or allowances for specified medical procedures.

**Financial accounting**

A highly standardized method of recording, accumulating, sorting, and reporting an entity’s business activity, so that outside third parties have assurance about its reliability to make financial decisions. Also see *Generally Accepted Accounting Principles*.

**Financial statement**

A type of business report that presents financial information about the economic impact on the entity of completed transactions and other events. General-purpose financial statements for external use present financial information relevant to investors, creditors, and public policy decision makers. The most commonly used financial statements include the statement of financial position (also known as the balance sheet or the statement of assets, liabilities, and equity), the statement of income (also known as the statement of revenues and expenses, or the profit and loss statement), and the statement of cash flows.

**Fiscal year**

Standard accounting practice allows the accounting year to begin in any month. Fiscal years are named according to the month in which they end, hence a fiscal year ending October 31 would be called an October fiscal year. For the veterinary profession, tax laws cause most practices to adopt fiscal accounting years that match the calendar year, thus beginning on January 1st and ending on December 31st.

**Fixed assets**

Tangible assets of a durable nature, which are expected to help generate revenue over a period of a year or longer. Property and equipment are examples of fixed assets that would not normally be intended for sale and which are used repetitively for the
production of veterinary service revenues.

**Fixed costs**
Costs that do not significantly vary with the volume of practice activity. The total dollar cost remains constant, within a given range of practice activity. The opposite of *variable costs*.

**G**

**General and administrative expenses**
Operating expenditures that support all aspects of the practice’s activities in conducting veterinary medicine, without specific attribution to its patients. Many general and administrative expenses tend to be relatively fixed as a dollar amount within a given range of practice activity.

**General ledger**
A book or record summarizing all transactional activity during a financial period, usually a year. The general ledger presents detail of each journal entry, by account title, in the order prescribed by the chart of accounts. Also see *journal entry*.

**Generally Accepted Accounting Principles (GAAP)**
Rules promulgated by the American Institute of Certified Public Accountants, that enhance comparability of financial information by defining exactly how it will be presented in reports that are accessible by unspecified third party users. With a primary purpose of public use, report presentation in accord with GAAP is usually limited to large publicly-traded entities, as it is not cost effective for small businesses which must first and foremost create reports that are accurate for compliance with tax reporting requirements. Reports prepared on an income tax basis of accounting are not the same as those created on a GAAP basis. Also see *OCBOA*.

**Goodwill**
An intangible asset which value arises as a result of name recognition, practice and doctor reputation, client loyalty and patronage, knowledgeable employee assemblage, location, products and similar factors that have not been separately identified and/or valued but which generate economic benefits above and beyond net tangible asset return on investment.

**Gross income**
See *gross revenue*. 
Gross profit (Gross margin)
Total revenues/fee income less costs of professional services. Also see cost of professional services.

Gross profit percent (Gross margin percent)
Gross profit divided by total revenue, displayed as a percentage.

Gross revenue
The veterinary practice’s total operating income, before any deductions for discounts, account write-offs, or operating expenses, and without adding other sources of cash, such as consumer sales tax collections and non-operating income. Also see operating income.

Gross wages
The total amount payable to an employee in exchange for work, before the employer withholds any amounts in accord with employment tax laws or through the employee’s voluntary withholding for retirement funding and other reasons. An employee who works 40 hours for an agreed amount of $15.00 per hour, is owed gross wages of $600.00.

Historical cost principle
The U.S. accounting convention that states that the acquisition or exchange of an asset is recorded at its original cost and will not be updated to its fair market value at any time in the financial accounting records. Only a specific transaction that marks the monetary value of an asset can result in the recorded cost of that asset in an entity’s accounting records.

Hybrid method of accounting
A tax reporting convention that uses any combination of cash, accrual, and special methods of accounting if the method clearly reflects revenues and is used consistently. Also see accrual basis accounting and cash basis accounting.

Income statement
A summary of practice revenues and expenses within a specific period of time or accounting period.

Income tax basis accounting
A method of accounting that results in financial reports that mirror the practice’s tax return presentations. Applicable tax laws affect the timing of deductions and treatment of other transactions that can be significantly different from prescribed financial accounting methods. Many small businesses, including veterinary practices, use the income tax basis of accounting for financial statement presentation since only one set of books are required, thus saving accounting and bookkeeping expense. Also see OCBOA and GAAP.

Indirect costs
Costs (expenses) that are not readily identified with products or activities. In cost accounting, indirect costs are usually allocated by some arbitrary formula to various products and activities when determining profit.

Intangible property (intangible assets)
Non-physical assets, including but not limited to licenses (such as computer software licenses), franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts, as distinguished from physical assets such as facilities and equipment.

Interest expense
Interest paid on the outstanding principal portion of existing practice debt, and deducted as an expense to determine net profit.

Internal controls
Practice systems that mitigate the risk of loss through segregation of responsibilities and duties for safeguarding assets and for maintaining books and records of those assets and corresponding liabilities.

Inventory
Items in stock, either for resale to clients, such as pharmaceuticals held for dispensing, or materials to be used to complete veterinary services, such as in surgical procedures.

Inventory turnover
Costs of professional services (COPS) divided by inventory. Usually calculated using the average inventory value over an accounting period, not just an ending inventory value.

Journal entries
Journal entries are records of practice transactions, which are posted to the accounting journals.
L

Lease
A contractual agreement wherein the lessor (titled owner of the property) provides the property to the lessee (the veterinary practice) to use in the conduct of veterinary activities. Any kind of property can be leased: real property, tangible property like professional equipment, intangible property like software, and employee time (employee leasing). Also see equipment lease.

Liabilities
Accounts or debts that the practice owes others, and which are categorized into current- and long-term debt portions.

Limited liability company
A relatively recent legal construct provided by each state’s statutory code, providing a fourth option for veterinary practice operation as a legal business entity (besides sole-proprietorship, partnership, or corporation). In general, a limited liability company (LLC) provides protections for its members (owners), similar to those of a corporation: the members are not responsible for debts and amounts owed by the practice to creditors. Tax laws poorly define all aspects of an LLC, as exemplified by the fact the U.S. Treasury (IRS) terms LLCs as “disregarded entities” which must elect to be treated from a tax perspective as a sole-proprietorship (single member LLC), as a partnership (two or more member LLC), or as a Subchapter S corporation (any number of members, up to the limits provided by S-corporation rules).

Liquidity
Describes the ease with which assets can be converted into cash.

Loan amortization schedule
In reference to the repayment of borrowed money over time, a document that summarizes the loan terms (length of time, frequency of payments, and interest rate(s)), and lists each payment by due date including the portion attributable to interest, the portion attributable to principal payment, and the remaining principal balance.

Long-term liabilities
Amounts owed to outside parties that will not be repaid within one year or the operating cycle. The current portion (principal but not interest amounts) is that portion of a debt that is due within the next twelve months. The current portion and long-term portions of a long-term liability are often reported separately in the financial reports, thus:
Current Portion of Long-Term Loans
Long-Term Portion of Loans Payable

Managerial accounting
The method for recording, accumulating, sorting and reporting financial data which is of most interest to private veterinary practice administrators, who rely heavily on accurate and confidential information to make decisions about the use of the practice’s valuable and finite resources, and to assure accountability for their use at all levels of practice activity.

Matching principle
The accounting theory that states expenses should correlate to the revenues they generate within a given financial period. To use the matching principle, expenses are recognized when incurred, regardless of when cash is paid, and revenues are recognized when services occur, regardless of when cash is received (accrual basis of accounting).

Net assets
Total assets less total liabilities.

Net book value
See book value.

Net income
Revenue less expenses, including taxes at entity level if applicable.

Non-wasting asset
Property without a determinant life expectancy, most often land. Also see wasting asset.

Normalized financial statements
Financial statements adjusted for items not representative of the present going concern status of the business. Normalizing adjustments could include: elimination of effects of discontinued operations; elimination of effects of non-recurring events; adjustment of abnormal depreciation or amortization charges.
OCBOA
Other Comprehensive Basis of Accounting; OCBOA describes a variety of financial reporting methods that are not in compliance with GAAP. In the veterinary profession, the most common OCBOA reports are created on the income tax basis of accounting and on the cash basis of accounting. Very few veterinary practices create financial reports prepared in accord with GAAP. Also see *Generally Accepted Accounting Principles*.

One-write system
Bookkeeping system using NCR (non-carbon recording) paper wherein the bookkeeper writes on a document, such as a check or an invoice, and the information records to a ledger sheet, underneath. At the end of the accounting period (a day or a month), all of the recorded transactions are coded using the VMGCOA-CA and summarized on the ledger sheet. For each account, the bookkeeper enters the total amount in the general ledger as a journal entry. Today’s bookkeeping software programs have nearly made one-write systems obsolete, although they do have their place.

Operating expense
Write off or expensing of various assets used up in the production of veterinary services and related revenues. Operating expense does not include interest expense, losses from retirement of practice equipment, etc.

Operating income
Revenues or income resulting from veterinary activities and veterinary-related sales such as pharmacy sales. Operating income does not include income from sources other than veterinary-related, such as interest income, income from selling used practice equipment, leasing pasture land, etc. Also see *gross revenues*.

Operating lease
A contractual agreement in which the veterinary practice pays a monthly fee for the right to use property owned by an outside party. Either the lease agreement terms do not include any provision for eventual transfer of ownership rights to the veterinary practice, or if it does include a provision, the purchase price is at fair market value, regardless of its prior use by the veterinary practice. A postage machine is a good example of equipment used through an operating lease; postage machines generally cannot be purchased outright, only leased from the vendor.

Other Expenses
By accounting convention, a term identifying expenditures related to investments and financing, and not from asset use in the production of veterinary practice revenues.

**Other Revenues**
By accounting convention, a term identifying sources of revenues from investments and financing, as compared to operating revenue (50000 series) which presents revenues from the business’s main purpose: veterinary practice.

**Owner’s equity**
The ownership claim on net assets; owner rights to assets remaining after all outside creditors have been satisfied.

Owner’s equity = Assets - Liabilities

**Owner’s equity statement**
Financial statement that summarizes the changes in owner’s equity for a specific accounting period.

**P**

**Partnership**
A type of business entity no longer very popular for the conduct of veterinary practice. In a general partnership, each of the two or more partners will have unlimited liability for the debts of the practice, including debts of individual partners if creditors seek personal debt repayment by attaching partnership assets. The partnership’s income and expenses are reported on a separate tax return for reporting purposes, but net profit or loss is “passed through” to the individual partners for reporting on his or her personal tax returns and taxation of the same.

**Pass-through entities**
Businesses that pass through taxable earnings (profits and losses) to their owners, so that such earnings are taxed at the owner’s personal income tax rate.

**Permanent account**
An account that is never closed at the end of a financial period, specifically the balance sheet accounts for assets, liabilities, and equity. Permanent accounts carry current balances as long as the practice continues.

**Perpetual inventory**
An automated system that contemporaneously maintains accurate records of supply
counts on hand, sales, and purchases. In theory, as the practice receives supplies, the inventory manager records each item in the practice management database as to quantity, size, strength, and unit acquisition price. The software updates each item to appropriate client sales price and automatically depletes the inventory quantity-on-hand (QOH) as each sale occurs or patient invoice is created. At any given time, a hand count of the item should match the quantity-on-hand as reported by the electronic database.

**Posting**

The bookkeeping process of transferring and summarizing all of the journal entries to the general ledger.

**Prepaid expenses**

Expenditures (usually for a service) that will benefit a subsequent financial period, and as such, are reported as a practice asset, rather than as an expense. When the service expires in the subsequent financial period, it is expensed and thus included in the profit computation for that period. Examples include prepaid insurance premiums, prepaid service contracts, prepaid rent, and prepaid taxes.

**Proprietorship**

A veterinary practice with a single equity owner, and not legally organized as a corporation or limited liability company.

**Purchase order system**

An inventory acquisition method in which each order is numbered, dated, initialed and recorded with the vendor-quoted prices of the ordered items. As the practice receives shipments, the receiving clerk matches each bill-of-lading with the pre-existing purchase order on file and the shipment contents. The receiving clerk compares both the original purchase order and packing documents before submission to the accounts-payable clerk for vendor payment after reconciliation with the invoice and end-of-month statement, if applicable.

\( R \)

**Ratio analysis**

Comparison of significant numbers and the relationship of numbers, derived from the practice’s financial statements.

**Real property (estate in real property; real estate)**

Land, buildings, and permanently affixed, highly durable structures. The value of real property includes land improvements such as sewer, gas, electric, and water lines, septic
systems, storm sewers and basins, landscaping, trees, parking lots, drives and roads. The rights to underground mineral deposits may or may not be included in the real property.

**Related party**
Through practice ownership rights, family-relation, or fiduciary responsibility (such as an officer or director of the practice), a person who appears to have positional advantage for gaining preferential treatment, as compared to an individual who has an arm’s-length relation with the practice and would not be expected to have a favorable position in transactions as compared to any other person.

**Return on investment**
Net profits divided by net worth or total equity. Another measure of profitability.

**Revenue recognition principle**
An accounting concept where a revenue transaction is marked at the moment the revenue is earned, regardless of when cash is ultimately received for services or products provided. Also see *accrual basis accounting*.

**Revenues**
Gross increases in owner’s equity resulting from practice activities entered into for the purpose of earning income, specifically veterinary services and related activities and pharmacy or product sales.

**Review report**
A financial report prepared by a CPA which involves prescribed analysis of transactions and testing of account balances. CPA reviewed financial statements are commonly required by lending institutions as part of the terms for loaning money to a veterinary practice. The higher level of CPA attestation requires more in-depth transactional analysis and work by the CPA than does a compilation report.

**S**

**S Corporation**
A small-business corporation that is eligible for and has made election (under the Internal Revenue Code – Subchapter S) to “S” status, and is treated somewhat like a partnership for tax purposes; that is, practice profit and loss “pass through” to the individual shareholder tax returns, while the practice entity is treated as a corporation for other purposes. Also see *corporation*.

**Shrinkage**
Inventory loss, usually unexplained or difficult to isolate. Sales records and original purchased quantities are compared with the current physical inventory to determine the amount of shrinkage; when the physical counts are less than the documented amounts, inventory shrinkage has occurred.

**Sole proprietorship**
A sole proprietorship is a single owner business, where the proprietor (owner) has unlimited liability for all the debts of the veterinary practice, and the profit or loss from the practice will be reported on his personal income tax return.

**Statement of Cash Flows**
See *cash flow statement*.

**T**

**Tangible property**
An asset with a limited useful life, that has physically discernable attributes such as form, color, and size, that can be seen, touched, held, and felt. Also see *intangible property*.

**Taxable income**
A base on which the amount of income tax is determined.

**Transaction**
Any exchange of or binding promise to exchange goods, services or money at a sum certain (that can be measured in monetary units). In some VPIMS and in VMG reports, it is also called an invoice.

**Trust funds**
Payroll tax withholdings and required employer mandating matching tax amounts. The law requires employers to withhold federal income taxes, state income taxes, Social Security and Medicare taxes from employee wage payments, to enforce the timely submission of such tax amounts. Essentially, the law makes the employer a collections bureau and enforcement officer for the government. Trust funds do not belong to the employer; the employer must make timely remittance of the withheld amounts within legally prescribed time limits. Failure to submit trust funds as due will result in substantial penalties and interest. An employer must never be tardy in trust fund remittance.
**Variable costs**
Expense outlays that are directly proportionate with the volume of veterinary services and sales. An example would be an anesthetic agent; with each procedure an amount is used and expensed (and matched with the fee income resulting from billing the client for the service).

**VPIMS (Veterinary Practice Information Management System)**
The network of computer hardware, human interface devices, operating systems, and software written specifically for running the veterinary practice operations, including client invoicing, patient reminder notifications, and medical records functions. To centralize and organize data for optimal efficiency, veterinary management software increasingly integrates with other practice technology, such as digital imaging equipment of all sorts, laboratory equipment, bar code scanners, point-of-sales terminals, electronic signature capture, flat panel whiteboard displays, and time-keeping applications. VPIMS also include various programs that assist in education and communication with clients.

**W**

**Wasting asset**
Property with a limited useful life that can be depreciated over its life, by computing and recording the apportioned depreciation expense each financial period. As compared to a non-wasting asset, without a limited useful life.

**Working capital**
The amount of funds on hand to meet current obligations as they come due, such as vendor payments and monthly note payments.

**Working capital ratio**
A financial ratio that calculates current assets less current liabilities, and provides a measure of the practice’s liquidity or ability to pay debt obligations as they come due.