

# P&L DETECTIVE WORKSHEET

## UNCOVER THE REAL STORY BEHIND THE NUMBERS

Many dental practice owners reduce their taxable income by running legitimate personal or one-time expenses through the practice. Because a new owner typically won't inherit these costs, we add them back to the P&L to reveal the practice's true cash flow. Learn to identify add-backs to uncover hidden cash flow, growth opportunities, and the practice's real earning potential.

P&L CATEGORY	TARGET PERCENTAGE RANGE (IDEAL)	LOOK FOR THESE COMMON ADD-BACKS TO UNCOVER HIDDEN CASH FLOW
 <b>Staff wages and benefits</b>	<b>28 – 33%</b>	<ul style="list-style-type: none"> <li>• Family members on payroll not actively working</li> <li>• Excess owner salary or distributions</li> <li>• Bonuses not tied to productivity</li> <li>• Retirement contributions above market</li> <li>• Personal expenses run through payroll</li> </ul>
 <b>Clinical supplies</b>	<b>5 – 7%</b>	<ul style="list-style-type: none"> <li>• Excess inventory purchases</li> <li>• Expired/obsolete inventory write-offs</li> <li>• Owner/office personal use</li> <li>• Marketing or promo items expensed here</li> </ul>
 <b>Lab fees</b>	<b>6 – 8%</b>	<ul style="list-style-type: none"> <li>• In-house lab costs (technician salary &amp; supplies)</li> <li>• Lab case discounts or write-offs</li> </ul>
 <b>Rent</b>	<b>4 – 6%</b>	<ul style="list-style-type: none"> <li>• Above-market rent (owned building or related party)</li> <li>• Personal space included in practice lease</li> </ul>
 <b>Marketing</b>	<b>2 – 4%</b>	<ul style="list-style-type: none"> <li>• One-time website design or rebrand</li> <li>• Grand opening or special event costs</li> <li>• Consulting fees for marketing strategy</li> <li>• Sponsorships or donations</li> </ul>
 <b>Office / Admin</b>	<b>1 – 3%</b>	<ul style="list-style-type: none"> <li>• Personal travel and entertainment</li> <li>• One-time legal or accounting fees</li> <li>• Insurance for personal assets</li> <li>• Dues and subscriptions not practice-related</li> <li>• Home office or cell phone expenses</li> <li>• Non-recurring repairs or maintenance</li> </ul>
 <b>Net Income</b>	<b>35%+</b>	<p><b>Your bottom line after normalization.</b>  <i>Higher is better.</i></p>



**Adjusted Net Income (true cash flow) =**

**Net Income** + **Owner Compensation** + **Personal Expenses** + **One-Time Costs**



**Address:**  
 3989 Broadway  
 Suite 150  
 Grove City, OH 43123



**Phone Number:**  
 614-706-7680



Practice Sales  
 Practice Valuations  
 Associate Placement



**Website:**  
<https://transitionone.net/>