When purchasing a practice, among the many factors clinicians need to consider is the situation regarding work in progress (WIP), an area that can be particularly complex in finalising the details of the transaction. Ongoing work that has not yet been completed, though it will have been at least partly paid for, could well take up a significant proportion of one’s capacity in the early stages of ownership, so it is vital to know exactly what one is taking on. Furthermore, from the outset, buyers will need to be clear about the level of WIP against any payments already received, as well as the payments outstanding.

From the seller’s point of view, it is therefore important that an up-to-date list of WIP be kept in the run-up to completion. The situation is easier regarding WIP if the seller is remaining with the practice, but if exiting completely, then careful determination of exactly what is to be inherited needs to be made at the earliest point. It also needs to be set out in the sale agreement the terms on which the buyer can claim fees for the work.

Some WIP will have been partly paid for by the time the transaction is completed, but there must be a consideration of how that will be structured. For example, if 75 per cent of the fees for the WIP have been paid by the patient, but only 50 per cent of the work carried out by seller, it must be determined whether the buyer will keep the 25 per cent balance or whether this will remain with the seller at completion.

In many situations, the buyer will be able to claim a proportion of money in respect of the percentage of work he or she will be carrying out to complete the treatment. However, in other circumstances, a decision may be made not to pursue this. It could be deemed that cases paid up at the outset or partly paid and those paid at the end of treatment will balance out at completion, rather than carrying out complex calculations on each piece of WIP.

WIP can indeed be a complex area, so it is important that all parties involved in the transaction sit down and work through an up-to-date list of WIP shortly before completion and work out exactly what is happening with each piece of unfinished work. A carefully drafted sale agreement is extremely important in this scenario, and consulting specialist dental advisers is strongly recommended.

Both the seller and buyer need clarity on how WIP will be transferred and who will retain what percentage of fees. Establishing this will enable a smooth transaction to the benefit of the business and patients alike.