



Rehmann Live!

Cultivate best practices for your dealership's accounting department

Presented by:

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Senior Manager

- Rehmann
- 11 years in public accounting, specializing in working with dealerships
- Spent 11 years as the controller of a metro Detroit Chrysler dealership

Utilizing your accounting department to improve profitability and operations

Taking your accounting department to the next level!

Learning Objectives

- To define a path to begin transforming your accounting department from just providing historical information to providing information that assists in managing your dealership in these volatile times

The Effective Accounting Department

Think of your accounting department as an automobile

The base model:

Solid basic transportation

- Basic internal controls
- Recording daily transactions
- Financial statement preparation
- Quarterly and year-end tax reporting
- Accounts receivable processing
- Human Resource functions

The Effective Accounting Department

The midline model:

Base model plus some nice features

- More involvement in day-to-day management
- Expense control
- More advanced accounts receivable functions
 - Creation of status reports
 - Assists management with collections

The Effective Accounting Department

The highline model:

No box unchecked - you look forward to driving it!

- Strengthened internal controls
- Consults and provides analysis for high level management decisions
 - Financial statement trend analysis
 - What if analysis
 - Projections and budgets
 - Cash flow analysis

The Effective Accounting Department

Your CPA can be an aftermarket supplier of your highline options either directly, or by assisting your accounting department in developing effective tools and implementing them

Financial Statement Trend Analysis

- Today we would like to focus on how financial statement trend analysis can be the initial step in taking your accounting department to the next level
- Benefits:
 - Enhances your ability to react more quickly to changes in your business
 - Strengthens internal control by identifying potential problems
 - Improves profitability and operations
 - Provides more accurate financial reporting

Financial Statement Trend Analysis

Where do you start?

- Your financial statements can be compared with the prior month and the same month from the prior year to analyze sales and profitability performance
- Analysis of fluctuations allows management to quickly identify areas of operational improvement as well as areas that are trending downward
- Provides an opportunity to react quickly when negative trends are discovered



(unique collaboration)

Question

More Ideas

On a monthly basis, how much time do you presently spend reviewing your final month-end financial statement once it is completed?

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- A. Less than one hour
 - B. 1 to 2 hours
 - C. 3 to 4 hours
 - D. More than 4 hours
- diverse perspectives*

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customer satisfaction

with Advisors

Financial Statement Trend Analysis

- Consider developing excel spreadsheets to track key trends or information management has identified as being important to operations and profitability
- Your dealership management system may have the capability of creating these reports or exporting the data into an excel format for you

Financial Statement Trend Analysis

- Some key dealership metrics:
 - Departmental gross profit percentages
 - Break-even
 - Fixed operations absorption percentage
 - Inventory turnover – New, Used and Parts
 - Day's supply of inventory – New, Used and Parts
 - Return on investment

Financial Statement Trend Analysis

- Use the resources available to you to compare your key metrics to your competition
- Many manufacturers provide dealer performance reports that compare your performance with the dealers from your zone or region
- Your manufacturer may provide a report that compares your performance with a group of 5 or 6 competitors that you can select
- If your dealership belongs to a 20 group, review the 20 group reports to assess your performance in key areas identified by management

Keep in mind that other dealerships may account for certain costs or expenses differently than you do

Financial Statement Trend Analysis

As % of Total Gross Profit	March 2014	February 2014	March 2013
Administrative Salaries and Wages	4.2%	6.1%	6.2%
Institutional Advertising	0.3%	2.8%	2.7%
Office Supplies	4.4%	2.1%	2.2%

Financial Statement Trend Analysis

Gross Profit as % of Sales	March 2014	February 2014	March 2013
Service: Customer Labor	66.7%	68.6%	69.1%
Prep Labor	76.7%	78.5%	78.3%
Body and Paint: Customer Labor	62.2%	64.6%	64.0%

Financial Statement Trend Analysis

Gross Profit Per Unit	October 2012	September 2012	October 2011
Used Vehicles – Retail (month to date)	1,675	1,701	1,985
Used Vehicles – Retail (year to date)	1,725	1,744	2,044
Used Vehicles – Wholesale (month to date)	17	75	387
Used Vehicles – Wholesale (year to date)	125	148	412

Financial Statement Trend Analysis

Expense Analysis – Year to Date May 2014 – May 2013				
	2014	2013	2014 % of GP	2013 % of GP
New Car Department				
Commissions	157,485	148,237	20.9%	20.8%
Sales Manager Commission	68,123	64,444	9.0%	9.0%
Advertising	126,202	136,357	16.8%	19.2%
Other Salaries	50,512	48,078	6.7%	6.7%
Floor Plan Interest - net	41,717	43,117	5.5%	6.0%
Total expense as % of Gross			50.8%	52.3%
Service Department				
Salaries	221,137	229,052	44.2%	49.2%
Training & Advertising	15,996	14,337	3.1%	3.0%
Supplies, Tools, Laundry	10,167	11,156	2.0%	2.3%
Policy	7,095	9,802	1.4%	2.1%
Total expense as % of Gross	60.80%	62.70%	60.8%	62.7%

Dealer Statement Analysis 2014 - 2013 - 2012 Through May - Year to Date

	Units			New Car		
	'14	'13	'12	2014	2013	2012
Sales	790	706	791	20,932,893	18,749,094	18,129,334
Cost of Sales				<u>19,590,570</u>	<u>17,489,664</u>	<u>17,013,554</u>
Gross Profit				1,342,323	1,259,430	1,115,780
Operating Expenses				<u>798,152</u>	<u>803,115</u>	<u>691,384</u>
Net Income				544,171	456,315	424,396
				Service		
Sales				815,431	824,703	775,381
Cost of Sales				<u>303,331</u>	<u>309,011</u>	<u>307,379</u>
Gross Profit				512,100	515,692	468,002
Operating Expenses				326,467	<u>351,205</u>	<u>346,161</u>
Net Income				185,633	164,487	121,841

	2013	2012	2011
Total Used Vehicles – Retail			
Sales	\$11,807,351	\$11,617,977	\$9,699,556
Gross Profit	\$1,039,892	\$1,222,304	\$1,068,186
Units	840	818	755
Per Unit	\$1,238	\$1,494	\$1,415
Used Wholesale/Unit	\$58	\$170	\$161
Total Used Vehicle Department			
Sales	\$14,748,859	\$14,188,758	\$12,915,740
Gross Profit	\$1,581,643	\$1,590,356	\$1,326,595
Gross Profit %	10.72%	11.21%	10.27%
Compensation – Used Vehicle Salesperson	\$478,978	\$494,244	\$454,469
Used Retail Units Sold	840	818	755
Per Unit	\$570	\$604	\$602
No. of Used Vehicles in Inventory	77	75	76
Days Supply of Used Vehicles	33	33	36

(unique collaboration)

Business wisdom delivered

	2013	2012	2011
Sales Per Repair Order – Service Department			
Sales	\$2,616,412	\$2,763,148	\$2,515,884
No. of Repair Orders	36,638	38,405	37,991
Per Repair Order	\$71.41	\$71.95	\$66.22
Sales per Parts Ticket – P & A			
Sales – Counter Wholesale & Retail	\$1,373,954	\$1,344,238	\$1,450,709
No. of Parts Tickets, Wholesale & Retail	14,851	13,345	13,916
Per Parts Ticket	\$92.52	\$100.73	\$104.25
Parts & Accessories Inventory (\$)	\$539,097	\$557,858	\$669,178
Annual Turnover	6.7	6.7	5.6

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Additional Analysis and Benefits

- Financial statement trend analysis can provide the foundation for good expense control
- Consider utilizing productivity reports for service and sales to monitor performance and provide opportunity for evaluation and coaching
- Consider utilization reports for rentals or loaners to assess proper fleet size

Monitoring Bank Account Transactions Online

- Review your bank account transactions online on a daily basis
- Contact your bank to determine the time frame you have to report fraudulent transactions
- Verify that excess funds have been deposited into a cash management or investment account
- Check your electronic fund transfer summaries on a daily basis to ensure all payoffs and payments are authorized by management
 - Proper segregation of duties – one person should not be initiating EFT transactions and also posting the transactions

Receivable Status Reports

- Consider the utilization of an accounts receivable status report for your managers
 - Total account balance
 - Aged balances:
 - 15 days old for contracts in transit or incentives
 - 30 days old for warranty or parts and service receivables
- Problem accounts that have not been collected

(unique collaboration)
Thank you for attending!

More Ideas
If you have any questions or comments, please contact me

More Experience
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