

Profit Accounting Academy



Nadine Epstein & Sandi Jerome

1391 NW St Lucie West Blvd #362

Port St Lucie, FL 34986

360-406-5062 x 706

sandi@sandijerome.com

www.DealerStar.com

www.SandiJerome.com

It's valuable to know each other

Who are You?



- Name
- Dealership(s) – city/state
- Position and how many years?
- Excel *guru or newbie*? Autofilter, Pivot tables, Vlookup?
- DMS system
 - ADP
 - R+R (Power/ERA)
 - Dealertrack/Arkona
 - ASI, Other



The best Controller/Office Manager the world has seen...

- ▶ Clean schedules and 3 day close
- ▶ Expert on DMS system – wrote reports, modify screens
- ▶ Provided detailed reports that pointed out every mis-step; heat sheet, past due – gasoline on file...
- ▶ Can work in service, parts, F&I – trained GSMs to be GMs
- ▶ Always ready to do more work....

“Sandi, can you come over to corporate...new BMW store”

“Sandi, I’ve put bean counters in there before...”

Are you a Profit Focused Controller?

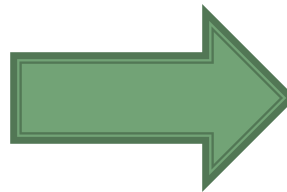


“Sandi...if you can make the service department profitable...bonus, fire service manager”

Profit Accountant- Case Study

- ▶ My 2nd chance - smaller office, breaking even or slight profit
- ▶ Service & parts lost money
- ▶ Floor plan interest - sales commissions – high variable

let's see what the accounting books say....



Star Chevrolet Breakeven Analysis	
Parts and Service Gross Profit	\$534,323
Non-variable expenses less other income	\$914,433
Gross Profit per unit	\$2,500
F & I Income per unit	\$726
Variable Cost Per Unit	\$742
Variable percent	23.00%
Total unabsorbed expenses	\$380,110
Net profit per unit	\$2,484
Breakeven Point in Units	153
Forecasted Units	150
Forecasted Vehicle Gross Profit	\$ 483,900
Forecasted Gross Profit	\$ 1,018,223
Forecasted Variable Expenses	\$111,297
Forecasted Total Expenses	\$1,025,730
Forecasted Profit	\$ (7,507)

How can we bring down the breakeven number? 5 keys items

Where does *your store* need help?

1. Parts and Service – what is your absorption percentage? – What should it be?
 - Technician productivity, sell every hour
 - Parts fill rate, pricing matrix
2. Reduce non-variable expenses
3. Variable percentage – *sales commission analysis*
4. Gross profit per unit
5. Carry what sells, sell more!

Help Managers make more money with the “what” vs the “why”

Star Chevrolet Breakeven Analysis	
Parts and Service Gross Profit	\$534,323
Non-variable expenses less other income	\$914,433
Gross Profit per unit	\$2,500
F & I Income per unit	\$726
Variable Cost Per Unit	\$742
Variable percent	23.00%
Total unabsorbed expenses	\$380,110
Net profit per unit	\$2,484
Breakeven Point in Units	153
Forecasted Units	150
Forecasted Vehicle Gross Profit	\$ 483,900
Forecasted Gross Profit	\$ 1,018,223
Forecasted Variable Expenses	\$111,297
Forecasted Total Expenses	\$1,025,730
Forecasted Profit	\$ (7,507)

The “Why” of Profit Accounting

- ▶ “Mini” deals? Minimum Wage?
- ▶ Unapplied time? Low technician productivity?
- ▶ Obsolete parts? Parts Shortages?
- ▶ High sales commission expense
- ▶ Why do cars stay in stock over 60 days?
- ▶ Why am I out of cash today – everyday!

The “what” vs the “why”

What gets people fired, but the next sales manager is just as bad – decrease profit

“Insanity: doing the same thing over and over again and expecting different results.”

Albert Einstein

Why helps people be better managers and increases profit – you need their help!

Creating *Why* Profit Reports for Managers

Monday

- ▶ Last week's overtime report (this month's focus) and *why*

Tuesday – Service and Parts

- ▶ 10 oldest parts – why did this happen? Can we get rid of?
- ▶ 10 oldest repair orders (with hr and pts) – why still open?
- ▶ Lowest productive/efficient technicians – why?
- ▶ 10 oldest warranty claims – why?

Weds – Inventory day

- ▶ 10 oldest new – why? What do we have in stock vs. on order
- ▶ 10 oldest used – why, What is our mix vs what sells?
- ▶ Are we advertising vs. what is in stock?

Thursday – Car deals

- ▶ Lowest gross profit – front and back – why? What is common?
- ▶ Deals not in the office – why, reasons (vlookup)
- ▶ Oldest contracts/VR not paid – why – reason (vlookup)
- ▶ Deals per sales person – who is on top? Who is lowest? Why?

Profit Accounting Requirements

- ▶ Get your office organized – time
- ▶ Develop your technology skills – fast and better
- ▶ Create *your* metrics
- ▶ Understand Gross Profit – **let's start at the bottom...parts**



“Wholesale Gross is usually 19-20% but why isn’t Wholesale Sales 25%?”

What should Parts Gross be?

Should you compare to last month?

Same as last month – ok

INTERNAL	481	(15,252)	13,680	(1,572)	10.31%
COUNTER-RETAIL	482	(6,725)	5,215	(1,510)	22.45%
WHOLESALE	483	(37,525)	30,252	(7,273)	19.38%

1. Top 10 wholesale accounts netted 25%
 2. Wholesale sales at 25%
- Shortage – *how many paper clips do you need to save?*

27,858 Total sales

Metric
25%
-9381.25
(2,108)

Top Cash sales average 35%

Cost plus 35% - why not list of 39%?

Metric
35%
-2353.75
(844)

Shortage

It gets worse...majority of wholesale setup is 10% off List = 30% - not 25%

		10% off List	Wholesale
\$167.42	List	\$167.42	
\$100.98	Cost	\$100.98	
\$65.29	39%	\$48.55	30%

“Wholesale gross profit is usually 19-20% Why isn't Wholesale Sales 25% or 33%?”

Homework for Parts Profit

- ▶ Top 10 Parts customers, GP% and matrix price code setup
- ▶ Most common price code matrix – customer file
- ▶ Setup of the price matrix on DMS
- ▶ What should *your* matrix be, **discussion with dealer and parts manager?** *Your metrics*
- ▶ Journal review – gross profit
- ▶ Parts master, List vs Cost

vlookup

Autofilter

		10% off List	Wholesale
\$ 148.92	List	\$ 134.03	
\$ 100.98	Cost	\$ 100.98	
\$ 47.94	Gross	\$ 33.05	33%

Financial Gross vs Operational

- ▶ Journal gross “totals” the gross
- ▶ Example – what is wrong?

Ticket#	Part#	Sale	Cost	Gross	Percent	Override?	Counter	Cust
123	PQ7258	\$ 52	\$ 37	\$ 15	29%	N	Jim	ABC Body
123	LK65785	\$ 21	\$ 23	\$ (2)	-10%	Y	Jim	ABC Body
123	NCM	\$ 197	\$ 123	\$ 74	38%	Y	Jim	ABC Body
		\$ 270	\$ 183	\$ 87	19%			
Journal								
480	-270							
680	183	32%						
242	-183							
220	270	AB101						

Financial Data

How you lose Parts Gross

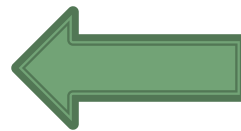
- ▶ Tickets sold at cost or less – overrides
- ▶ Not selling at customer's matrix price – overrides
- ▶ Internals not at matrix
- ▶ Adjustments to cost of sales accounts
 - Journal vouchers
 - Parts purchases – buying at a premium

Why would we sell a part at cost or for zero amount? Nadine....

More Profit Homework in the Parts Department

- Additions/Deletes Parts Management Report
- Why would they delete a lot of parts in one month?

Grand Total	NBR OF PARTS	PERCENT	PARTS PIECES	PERCENT	PARTS COST	PERCENT
Inventory Balance	14,480		54,805		813,275.07	
Active Parts	5,086	35.13	31,082	56.71	594,152.35	73.05
NS Parts	7,918	54.68	384	.07	24,296.54	2.98
MO Parts	414	2.85	21,437	39.11	98,466.22	12.10
AP Parts	718	4.95	1,445	2.63	81,245.51	9.99
DP Parts	39	.26	438	.79	13,713.87	1.68
SP Parts	13	.08	19	.03	1,397.58	.17
DEL Part	292	2.01				
Parts with no costs	10	.06	15	.02		



Deletes – Why do we delete a part number?

More Profit Homework in the Parts Department

► Inventory Analysis

- What is your Parts age? Sales vs Receipt date
- **What if most of your inventory is “current” based on Receipts instead of Sales?**

Inventory Movement –						
Sales	7,083	48.91	49,870	90.99	622,375.51	76.52
0 to 3 Months	2,344	16.18	2,008	3.66	77,492.07	9.52
4 to 6 Months	3,234	22.33	1,876	3.42	60,682.61	7.46
7 to 12 Months	1,035	7.14	631	1.15	32,865.55	4.04
Over 12 Months	784	5.41	420	.76	19,859.53	2.44
New Parts No Sales						
Inventory Movement -						
Receipts	6,513	44.97	45,370	82.78	590,351.94	72.58
0 to 3 Months	2,757	19.04	3,700	6.75	100,058.68	12.30
4 to 6 Months	3,798	26.22	3,326	6.06	76,492.94	9.40
7 to 12 Months	1,273	8.79	2,403	4.38	46,369.11	5.70
Over 12 Months	139	.95	6	.01	2.40	0.00
New Parts No Receipts						

More Profit Homework in the Parts Department

What is bad about overrides?

- ▶ Internal control – Parts
 - Override Report – DMS 2542, ROV

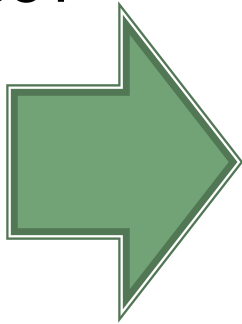
CTRMN	INV#	PRTDATE	PART# / DESCRIPTION	TYPE	QSH	P	COST	ORIG PRICE	ORIG EXT	OVRD PRICE	OVRD EXT
4	1022	05/31/13	1255740 FUEL TANK	PRICE	1		86.08	125.92	125.92	115.92	115.92
4	1022	05/31/13	909789 BRAKE PAD	PRICE	2		15.00	28.00	56.00	12.40	22.80
4	1023	05/31/13	636589 PANEL	COST	1		102.60	102.60	102.60	1.60	1.60
4	1026	05/31/13	1218580 CAMSHAFT	PRICE	1		67.35	154.68	154.68	62.50	62.50

Type of
override

Use Excel and AutoFilter
to find just the Cost

Parts Reconcile.xls

Where do you get each of these?



		Month
To be completed by Parts Manager		
Dealership	Sandy Chevrolet	Dec 2010
Inv per parts management report	\$ 399,255.42	
Spec/NPN - not in computer	\$ 62,252.00	
New Cores - not in computer totals	\$ 25,200.00	
Dirty Cores - not in computer	\$ 5,700.00	
WIP - Repair orders	\$ 22,252.25	
WIP - Parts Tickets	\$ 9,207.32	
Appreciation not taken by accounting		\$ 7,642.00
Returns - no credit received yet	\$ (252.22)	
Nuts/Bolts	\$ 542.11	
Other - describe	\$ -	
Invoices posted not given to Acct		\$ 18,825.25
Pack Slips posted not given to Acct		\$ 11,525.00
Total	\$ 524,156.88	
To be completed by Accounting Manager		
GL Account# 1 _____ (example 242)	\$ 423,225.00	(YTD)
GL Account# 2 _____ (example 242A)	\$ 67,525.00	(YTD)
Appreciation not booked	\$ 7,642.00	
Accounting Invoices not posted**	\$ 1,252.00	
Accounting Credits not posted	\$ (42.25)	
Parts Invoices/Pack Slips not in office**		\$ 30,350.25
Total Per GL	\$ 529,952.00	
Difference (shortage)	\$ (5,795.12)	
Variance		-1%
** Before adding in - check for duplicates		

Discussion – has your parts ever come up short? Over? How much is Ok?

More Profit Homework in the Parts Department

Fill Rate Report – *your metric, 80%, 70%?*

Part Number	Qty	On Hand	Filled Shelf	Filled Same Day	Source	Acct Source	Price Override	Price Code	Description	Cost
12378508	1	2	Y	Y	1		Y	Customer Service	FLUID TRFER CASE	5.10
12593774	1	2	Y	Y	1		N	CPO Warranty Service	BELT WITH PMP AN	29.26
24436645	2	2	Y	Y	1		N	Internal Service	ORING ACCONDENS	4.50
12762089	2	2	Y	Y	1		N	Warranty Service	AXLE SHAFT	435.63
32026134	1	2	Y	Y	1		N	Internal Special Service	RUBBER MAT SET	67.00
12783879	2	2	Y	Y	1		N	Customer Service	TENSION SPRING	1.54

RPFR-ADP
 2219- RR
 Web Suite 1000:
 “Inventory Management Analysis” Report
 DT-“Demand Fill Analysis” Report, or
 – “Sales Source Analysis” Report
 ASI- “Fill Rate” Report
 ACS – RO Fill Rate Report

If one dealership has a higher fill rate from shelf – how do they make more profit?

Filled same day?

Now, if you can make the service department profitable...

Financial vs. Operational Profit

Operational Profit Report			
Sales	Units	Gross	Notes
New	91	\$ 83,525	Per F&I Summ
Used	127	\$ 135,858	Per F&I Summ
Adjustments		\$ (13,525)	Estimated cha
Wholesale	21	\$ (9,200)	
Spring Cash		\$ 12,000	
F&I Income		\$ 23,525	Per F&I Summ
Adj/Chargeback		\$ (6,232)	Estimated
			\$ 225,951
Service Gross		\$ 167,582	Per DOC

Operational Reports

Service Advisor Report **\$175,342**

Technician Productivity - hours

Financial Reports

DOC **\$167,582**

Financial Statement **\$153,702**

Name some reasons why service gross on the SA report is different than the DOC, **Financial Statement?**

DOC Fees	218	\$ 21,582	\$99
Deductions		\$ (3,425)	Standard Entry
Other		\$ 9,500	Spring sell-down
Other			
Total Other		\$ 27,657	
Expenses		\$ 432,000	Average
Per Adjust Variable		\$ 24,233	
Other		\$ 32,450	Advertising over budget
		\$ 18,000	Spiffs, bonuses
Total Expenses		\$ 506,683	
Net Profit		\$ 28,666	

What is your Gross Profit %?

Page 6

Do you see any problems?

CUST. LAB CARS & LD TRKS	460A	140	(67,325)	21,525	(45,800)	68.03%	★
S/CNTR LAB -CARS&LD TRKS	460B	0	0	0	0	0.00%	
Q/SRV LAB -CARS&LD TRKS	460C	0	0	0	0	0.00%	
CUST. LAB COM,FLT & MD TRKS	461A	0	0	0	0	0.00%	
S/CNTR LAB COM,FLT & MD TRKS	461B	0	0	0	0	0.00%	
Q/SRV LAB -COM,FLT & MD TRKS	461C	0	0	0	0	0.00%	
WARRANTY CLAIM LABOR	462	227	(127,582)	34,252	(93,330)	73.15%	
INTERNAL LABOR	463	125	(56,425)	15,252	(41,173)	72.97%	
NEW VEH INSP LBR	464	31	(8,712)	1,252	(7,460)	85.63%	★
ADJ COST OF LBR SLS	665		★	17,282	17,282		
SUB-TOTAL			(260,044)	89,563	(170,481)	65.56%	

What is \$300,000 in labor sales time 73% gross profit vs 68%? – this is just one item!

\$ 300,000	\$ 300,000	
73%	68%	
\$ 219,000	\$ 204,000	\$ 15,000

What is *your* Metric?

\$ 125.00	Posted	\$ 125.00	
\$ 33.50	Actual	\$ 40.00	Tech Cost (set up)
\$ 91.50		\$ 85.00	Gross Profit
73%		68%	

*You must create **YOUR** metrics, not your 20 group – factory standard, etc.*

Posted – Most common Labor sales setup

Effective – Average sales amount – Total Labor/Total Hours

What is your effective labor rate? Effective GP%___?

Ways to Prevent – Gross loss

1. Unapplied/shop time to own account – not on an RO
2. *Remove all overtime – and put any in an expense/sub*
3. Use actual cost in tech setup
4. Work in Process must be a “closed loop” – *no lick ‘n stick!*
5. *Measure – Post – Analyze* Technician Productivity/Efficiency/Utilization/Opportunity

Star Chevrolet May 16, 2013, 7:12 am Service and Parts New Windows: Parts & Service Accounting Sales F&I Clock In Clock Out Log out

Print this page Print all pages Advanced search Export results Logged on as Sandi Jerome Log out

Dashboard » Overtime Watch		Service/Parts CRM »		Parts - Parts Tickets »		Service - Repair Orders »		Setups/Admin »	
Actions not Completed		Total Time for Day	Est Clock In Time	User ID	Clock In/Out	Date Clocked	Time Clocked In	Time Clocked Out	Note
Calendar/Appt									
Daily DOC									
My Parts Dashboard		Details	Edit Employee Time-Manager (1)	Joe Tech	Out	4/29/2013	7:46:44 AM	4:19:06 PM	
My Service Dashboard/Reports									
Tasks »									
Time Clock	Clock In	Employee Time-Manager (1)	Employee Time-Manager (1)	Allen Smith	Out	4/29/2013	7:27:36 AM	4:19:06 PM	Forgot to clock out at 3pm and also for lunch when customer's car ran out of gas. More...
	Clock Out								
User ID:	Manager Approve Time Cards/Edit Time								
Est Clock In Time	My Time All - enter notes	Employee Time-Manager (1)	Employee Time-Manager (1)	Frank Tech	Out	4/29/2013	8:00:07 AM	2:19:06 PM	
Position:	My Time Card for Period	Employee Time-Manager (2)	Employee Time-Manager (2)	Frank Tech	Out	4/26/2013	8:00:13 AM	3:01:24 PM	
Department:	My Payroll Changes								
Search	Overtime Watch	Employee Time-Manager (1)	Employee Time-Manager (1)	Joe Tech	Out	4/26/2013	7:52:28 AM	3:00:30 PM	
	Update Status/Schedule								
	Clock in Employees/Location	Employee Time-Manager (1)	Employee Time-Manager (1)	Allen Smith	Out	4/25/2013	7:28:48 AM	2:42:10 PM	
Details found: 707		Employee Time-Manager (3)	Employee Time-Manager (3)	Frank Tech	Out	4/25/2013	8:00:22 AM	2:40:46 PM	
Page 1 of 36		Employee Time-Manager (2)	Employee Time-Manager (2)	Joe Tech	Out	4/25/2013	7:49:59 AM	12:24:45 PM	

Efficiency Percentage

Tell me about Joe's efficiency

Tech	Repair Order Number	Sold Hours	Flag Hours	Actual Hours	Efficiency Percent	Sale Type
Joe Tech	40581	37.60	43.30	59.32	73%	I
Joe Tech	40656	30.75	30.75	42.13	73%	I
Joe Tech	40687	10.03	10.33	10.10	98%	I
Joe Tech	40753	3.00	5.09	4.61	114%	C
Joe Tech	40732	4.90	4.44	3.91	114%	C
Joe Tech	40735	5.70	4.35	3.92	110%	C

Star Chevrolet Accounting and Payroll New Windows: Accounting Parts & Service Sales/Calendar Reports
 June 5, 2013, 11:07 am 2013-03-31 MonthEnd 2013-04-30 Selected Date [Clock In](#) [Clock Out](#) [Log out](#)

Logged on as Sandi Jerome

Log out

Ch...

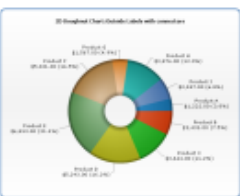
Dashboard » Dashboard Acct Mgr

Accounting »

Payroll/Employees »

Setup/Admin »

Help and T...



- Employee Add/Edit
- Employee HR
- Payroll Pay Process »
- Payroll Setup »
- Payroll Reports/Inquiry »

Technician Flag Reports

Flag Totals by Tech Report

Time Clock Management »

Technician Flag All List

Tech Productivity Report

Technician Flags Unpaid List

- Tasks
- Expense Detail (526)
- Schedule Watch
- Balance Watch

- Actions
- Repair Orders Open (43)
- Parts Tickets Open (42)

Post Deals

DOC

Employee List

Past Due AR

Sandi 23

Expenses

< June 2013 >

Mo	Tu	We	Th	Fr	Sa	Su
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23

What is your tech metric?
 Let's have Nadine help...

Are they Efficient?

Technician Efficiency

Tech punches in on jobs, but then spends hours – checking, double check the work, looking for tools and parts, showing the problem to other techs.

Total Flat Rate Hours – **Flag**

Total Actual Hours – **RO Time**

189

150 = 126% Technician Efficiency



Are they Productive? *Best place to start...*

Technician Productivity

Total Flat Rate Hours – **Flag**

Total Available Hours – **Clock Hours** – Employee Time
189

166 = 114% Productivity**



Was there Opportunity?

Technician Opportunity

Total available hours – Time Clock time

Total hours shop was open **174 hours in a month**, normally
166

174 = 95% Opportunity

*Did they take the
opportunity we gave
them – turned on the
lights, provided a
stall, parts
department, advisors,
lot people*

Were they Utilized?

Technician Utilization

Total actual hours – RO Time

Total available hours – Time Clock

150

166 = 90% Utilization

What (**Who**) is the problem?

1. Tech comes in, **but** doesn't punch on repair orders.
2. Tech punches in on jobs, but then spends hours – **checking** manuals, double check the work, looking for tools and parts, showing the problem to other techs.
3. Tech doesn't come in for work. **Doesn't** get paid for hours, but takes a lot of time off, **also training – has 2x the training of others!**
4. Tech comes in and sits around and drinking coffee or hides. May **p**unch on jobs, but most of the jobs either don't have many flag hours, or wastes time.

Profit Accounting in Service

Financial Accounting

Work in Process

Profit Accounting

Why are ROs open?

Total Hours sold in the shop –
once the day is over – it is gone!

What and Why of Technician
Productivity

Service Gross / **Expenses** – metric
and variance

*“Good news boss, we
sold 11 used
yesterday, bad news;
all the used cars are
gone today”... How
many **hours in the shop**
did you sell yesterday?*

Hours to Sell

- ▶ Appointments today with estimated hours
- ▶ Available hours – (8 hours x 125%)
- ▶ Hours yesterday
- ▶ MTD hours
- ▶ Detail by advisor, summary of techs

$$=B6*8*\$G\$1$$

Hours to Sell for Profit				Productivity Goal		125%		11 Expired service days		21 Total service days	
Advisor	Techs	Appts	Est Hr.	Carry Over	Available Tech Hours	To Sell	Sold Yesterday	MTD	Goal	Projection	Under Over
Jim	4	11	16.5	11	40	12.5	42	523	840	998	158
Sue	5	17	25.5	7	50	17.5	53	407	1050	777	(273)
Sam	5	12	18	3	50	29	31	385	1050	735	(315)
Total	14	40	60	21	140	59	126	1315	2940	2,510	(430)
Appointment Query				Open RO		Performance Report - Report Hours					



homework...spend a morning in the shop

What you need for the report to be accurate...spend a morning in the shop

- ▶ Carry over that is *ready to dispatch* (no longer on hold for parts)
- ▶ **Estimated hours** entered for appointments
- ▶ Do you understand appointments vs. hours to sell? How many appointments can you book per day?
- ▶ Appointments tracked electronically
- ▶ Work in Process/Unbilled – what is that?
 - *Repair orders must be closed– forgiveness not approval*
 - *Do not hold open warranty claims*

*Lowest reject rate + lowest open warranty claims
can = lots of open repair orders*

Why didn't we get 140 hours yesterday? – *can I help?*

- ▶ Was there PDI or Internals that could have been written?
- ▶ Did we call customers (move up appointments?)
- ▶ What is our campaign this month? Do we have one? Summer special, brake job, alignments?

What are *my* Metrics fixed operations?

Parts and service gross profit \$ _____

Non-variable expenses \$ _____

Absorption _____

Parts fill rate % _____

List Price _____ Cost _____ Retail Gross Profit% _____

Trade Price _____ Cost _____ Wholesale Gross Profit% _____

Your Posted Labor Rate* \$ _____ Tech Cost \$ _____ Metric for Gross Profit % _____

Effective Labor Rate \$ _____ Tech Cost _____ Metric for Gross Profit % _____

Hours to sell vs sold _____

Technician (circle one) productivity, opportunity, efficiency, utilization _____%

Why should I care? Paperclips – 15 cents, labor gross \$15,000 – for me – the total improvement was over \$60,000 a month!

But I soon ran out of Cash...The Pain of Profit

Cash is King!

But....where is my Cash?

The "Pain of Profit"

Cash Flow Worksheet

Assets	Last Month	Last Year	Amount of Increase or Decrease
Current Assets:			
Cash in Bank	\$ (325,255)	\$ 501,205	\$ (826,460)
Contract in Transit /Vehicle Re	\$ 2,252,522	\$ 952,521	\$ 1,300,001
A/R + Factory Receivable	\$ 5,252,412	\$ 3,103,593	\$ 2,148,819
New Inventory less floorplan	\$ 12,325	\$ 15,252	\$ (2,927)
Used Inventory less floorplan	\$ 1,896,252	\$ 325,258	\$ 1,570,994
Parts/Sublet/WIP	\$ 631,241	\$ 639,730	\$ (8,489)
Prepaid/Other Assets	\$ 187,566	\$ 147,142	\$ 40,424
Rental Units	\$ -	\$ -	\$ -

AR Collections made Easy

- ▶ Is it really a collection issue or a lack-of-paperwork issue?
 - Missing invoices
 - Can we get the copy to the client easier? Fax, email?
- ▶ Have you discussed the account with the parts manager, wholesale parts manager/representative, advisor, service manager? Weekly AR meeting?
- ▶ Do you have the right person calling customers?
 - What did it take to “get” this account?

Hands on Cash Flow—with Excel

Cash Flow Statement

Cash provided by;

Profit and retained earnings	\$	1,969,839
Add'l debt and capital	\$	894,798
Increase in AP/Notes	\$	1,917,792
Depreciation	\$	76,110

Total inflows \$ **4,858,539**

Cash used by;

Vehicle and other receivables	\$	3,448,820
New and used equity	\$	1,568,067
Parts and other inventories	\$	31,935
Fixed assets and other	\$	636,177

Total outflow \$ **5,684,999**

Cash decrease \$ **(826,460)**

Profit Accounting in Sales

Financial Accounting

Deal count – are deals in the office
Gross by Model

“CRM software now gives us a view into the sales operations and a check and balance to gross and expenses”

Profit Accounting

Charge backs– **bad for morale!**

Sales Gross/**Expenses** – metric and variance

*Do they carry the models that sell at the **best gross profit? Should we carry “inline”?***

What and Why of Salesperson Productivity – how do we measure?

**CRM Software ?
What does it provide?**

CRM Software?

- ▶ **Name;** Higher Gear, Vin Solutions, DealerSocket – ADP Web CRM, Contact Manager (RR) – none...
- ▶ **Comments** – Is it effective? Price?
- ▶ **What reports do you get daily?**
Monthly?
- ▶ *If* you get a gross profit report – do you compare the gross on this report to your F&I or Journal gross?

Do they “desk” with it?

What are *my key* Sales Metrics?

Units “out” — does not include wholesale, fleet?

New ____ Used ____

New Gross Profit Average \$ _____

Used Gross Profit Average per retail \$ _____ includes wholesale

Total F&I \$ _____ Chargebacks \$(_____) Net per \$ _____

60 * 700 =
\$42,000 Net

Total Expenses	
Sales Commissions	
Non-Variable	

Enter from your financial statement on page 9 of your handouts

Break-even Analysis and Sales

Star Chevrolet Break-even Analysis	
Parts and Service Gross Profit	\$534,323
Non-variable expenses less other income	\$914,433
Gross Profit per unit	\$2,500
F & I Income per unit	\$726
Variable Cost Per Unit	\$742
Variable percent	23.00%
Total unabsorbed expenses	\$380,110
Net profit per unit	\$2,484
Break-even Point in Units	153
Forecasted Units	150
Forecasted Vehicle Gross Profit	\$ 483,900
Forecasted Gross Profit	\$ 1,018,223
Forecasted Variable Expenses	\$111,297
Forecasted Total Expenses	\$1,025,730
Forecasted Profit	\$ (7,507)

3 reduce expenses

4 Increase Gross per unit

5 Are you paying too high of commissions?

2 more P&S gross

#1 sell more?

Will the real gross please stand up?

1. Gross in manager's head
 - "I made \$xx on that deal"
 - Written on log, entered on form or in CRM software
2. Gross calculated by F&I/sales module
3. Journal Gross Profit
4. Financial Statement Gross
 - True Journal gross – Less Charge backs, writedowns
+ Plus "funny money" and adjustments

Top 5 Ways you “lose” Gross

1. Wholesale Loss – are you in the business of wholesaling vehicles? – should be zero
2. Open Internals, Customer Repair Orders, Purchase Orders – **chargebacks**
3. Promised items not set up on due bill – or *not really promised* – or was already on vehicle.
4. Cost item should have gone to BE gross instead of FE gross
5. Nothing to reconcile to...Recap and displayed **Cost** is wrong

Do we really, really know the Cost?

Open PO and Open RO

[Add new](#)
[Inline Add](#)
[Select/Unselect all](#)
[Edit selected](#)
[Print selected](#)

Deals Quote - Side-by-Side Desking View

Deal ID	Quote ID	Payment	Amt Finance Price	Cust ID	Quick Name	Stock Num
2793	2754	203.02	11,326.75	22208	Rita deals	27464287
2794	2755	203.02	11,326.75	22208	Rita deals	27464288
2795	2756	203.02	11,326.75	22208	Rita deals	27464289

[Edit](#) [Inline Edit](#) [Copy View](#) [Down Payments](#) [Trades \(1\)](#)
[Customers Vehicles \(1\)](#) [Fees \(3\)](#) [Rebates](#) [Adds \(1\)](#)
[F&I Products \(1\)](#) [Lease \(1\)](#) [Gross \(1\)](#) [Rollback](#) [Print](#)
[Forms \(16\)](#) [Bank Submission/Reserves](#) [Menu \(1\)](#)
[Receipts](#) [Open ROs](#) [Open POs](#)

Gross
 Details found: 1.

Front End Gross	Back End Gross
3,000.00	1,410.00

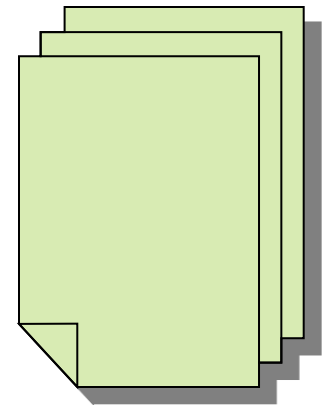
Stock# _____ Accounting Cost _____ F&I manager _____ Sales Manager _____
 Stock# _____ Accounting Cost _____ F&I manager _____ Sales Manager _____
 Stock# _____ Accounting Cost _____ F&I manager _____ Sales Manager _____

Profit Homework - Find 3 vehicles in stock with open repair orders and purchase orders. Ask a sales/F&I manager for the cost, and gross of 3 vehicles today with Open ROs and Open PO and then compare to accounting office

Expenses – Old Method

DESC	JAN	FEB	MAR	APR
(blank)				
COMPENSATION VEH - USD	\$9,216.50	\$20,198.79	\$ 27,872.34	\$19,149.21
COMPENSATION VEH-PONT	\$3,384.23	\$8,453.41	\$ 11,044.27	\$12,387.36
COMPENSATION VEH-CADIL	\$5,438.23	\$24,098.15	\$ 12,858.01	\$9,961.17
	\$18,038.96	\$52,750.35	\$ 51,774.62	\$41,497.74

We trend and detail everything!



What is the best way for *you* to reduce expenses?

Variable Expenses or Not?

Variable Expenses or Not?

1. Advertising \$ _____ per unit?
2. Floor plan \$ _____ Rate _____% Credit?

Balance _____ * rate = _____

3. Delivery Expense _____% or per unit?

Delivery Expense

- _____
- _____
- _____
- _____
- _____
- _____

How many
can you list
in your
handouts?

Page 12

Delivery Expense – Gas

1. Demo ride _____ per new “up” – CRM report
2. Vehicle stocked _____ per received
3. Dealer trade gas _____ per "our" trade
4. Fill Tanks on delivery? _____ per new delivered
Amount Factory pays \$_____?

Are you filling
the tank for
them?

Discussion: How much gas do you put in each vehicle in the 4 different items?

How do you control – gas cards, Pos, codes at tank?

Example of Item Expense

Expense Account Name:	Delivery Expense - New
Account number (s)	15A
Item description	Demo for test drives
Vendor(s)	ABC gas
Approved by?	Sales manager - purchase order/special gas card - code
Average monthly price	\$2,947.50
Contract details	
Metric	\$5.00 per up X 250 ups = \$1250 Price per gallon - \$3.65
Variable, Fixed, Budget – based on?	Variable based on CRM software of ups
Physical observation of the product – item – where is it stored? How is it used?	Gas card is in sales manager's desk - code written on yellow post note
Eliminate – do we really need this?	Yes
Reduce – is there a way to use less?	No, \$5.00 is not very much
Protect – is it being stolen?	Yes, card is used by everyone, filling tanks on used vehciels
Bid – could we get it for a lower price elsewhere?	Get for \$3.45 per gallon



Notice blank form on page 13 – what is the first one you'll do?

Sales Commission Worksheet

Total new and used gross \$ _____

Sales commissions \$ _____

Variable percent _____%

What is
your pack?

Gross Profit	\$ 1,942.00	
Pack	\$ 450.00	
Payable Gross	\$ 1,492.00	
Percentage		25%
Commission	\$ 373.00	
Percentage		19%

Item expense Method

DESC	JAN	FEB	MAR	APR
(blank)				
COMPENSATION VEH - USD	\$9,216.50	\$20,198.79	\$ 27,872.34	\$19,149.21
COMPENSATION VEH-PONT	\$3,384.23	\$8,453.41	\$ 11,044.27	\$12,387.36
COMPENSATION VEH-CADIL	\$5,438.23	\$24,098.15	\$ 12,858.01	\$9,961.17
	\$18,038.96	\$52,750.35	\$ 51,774.62	\$41,497.74

Biller case study - Internal Control

Sales Commission - Step 1	Benchmark	23%		Pay Plan Analysis - Step 2		
Step 3 - Car Deals	New	Used				
Gross Profit	\$ 232,417.00	\$ 297,342.00		Gross Profit	\$ 1,942.00	
From car deals	\$ 63,433.00	\$ 87,343.00		Pack	\$ 450.00	
Percentage	27%	29%		Payable Gross	\$ 1,492.00	
Deals paid per pay plan				Percentage	25%	
Calc commissions gross	\$ 192,323.00	\$ 201,343.00		Commission	\$ 373.00	
Commissions	\$ 39,332.00	\$ 37,343.00		Percentage	19%	
Percentage	20%	19%	Okay			
Mini Deals	\$ 40,343.00	\$ 95,999.00		Step 4		
Commission	\$ 27,333.00	\$ 43,232.00		Other Expenses from payroll		
Step 5 - Apply Benchmark	68%	45%		Spiffs	\$ 1,850.00	\$ 2,950.00
Total Commissions	\$ 79,191.00	\$ 95,980.00		Bonuses	\$ 3,433.00	\$ 11,223.00
Percentage	34%	32%		Minimum wages	\$ 7,243.00	\$ 1,232.00
Benchmark	23%	23%		Total Other	\$ 12,526.00	\$ 15,405.00
Profit Aim	\$ 25,735.09	\$ 27,591.34		Percentage	5%	5%
Total Profit Available	\$ 53,326.43					
	12					
	\$ 639,917.16					

Increase Gross Profit – *why mini deals?*

Reduce Expenses – *how much were your spiffs last month? CRM software – ups, demos, write-up, credit reports – Metrics!*

Why Minimum wage?

Do you have the time?

Hands On Breakeven

Star Chevrolet		
Breakeven Analysis		
		Percent
Parts and Service Gross Profit	\$462,024	77%
Non-variable expenses less other income	\$602,254	
Gross Profit per unit	\$2,180	
F & I Income per unit	\$0	
Variable Cost Per Unit	\$335	
Variable percent	15.36%	
Total unabsorbed expenses	\$140,230	
Net profit per unit	\$1,845	
Breakeven Point in Units	76	
Forecasted Units	143	
Forecasted Vehicle Gross Profit	\$ 311,752	
Forecasted Gross Profit	\$ 773,776	
Forecasted Variable Expenses	\$47,900	
Forecasted Total Expenses	\$650,154	
Forecasted Profit	\$ 123,622	

Office Management–Challenges

- ▶ Hard to get more staff – authorized, find, expense
- ▶ Difficult to get raises for our current staff
- ▶ Staff has no incentive to learn new skills
- ▶ No **time** to train – no training programs for office staff (techs go to school, sales people get trainers, etc.)
- ▶ No **time, no time, no time**

***“It is often easier just to do it ourselves instead of spending the time and energy to train someone who will probably do it wrong”
Are you good at this?***

My Weakness

- ▶ Supervision – including reprimands
- ▶ Empathy – understanding emotions
- ▶ Listening – impatience

How can you use your Strengths to overcome your weakness?

Strengths

- Technology
- Tenacity a tenacious trainer, she adheres to her grueling schedule no matter what
- **Time** Management

*How can you help your staff and other managers do the same?
We all need file clerks...*



Time, Time, Time

- ▶ Hours that you work per week _____?
- ▶ Free time for ? What do you like to do?
- ▶ Do you work from home? Sat? _____
- ▶ Date that you close the books? _____
- ▶ How many people do you have in the office? _____
- ▶ Number of dealership employees? _____
 - Ratio
 - Are you 14:1 or 10:1?

How Many People do you Need – are you the same?

- ▶ How many retail deals, wholesales?
- ▶ Service Advisors – ROs per day?
 - Do they write PDI, internal?
 - Do they dispatch, cashier?
- ▶ Salespeople – pay plans – complicated step?
- ▶ Paying employees – 1x month? 2x, weekly?
- ▶ Office
 - Relieve cashiers, phones?
 - Take deposit to bank, retrieve mail?
 - Dealer trades, titles

How many do you have in your office – how many of each?

Can we have someone else do this?

If you agree with everything I say...

- A. More efficient to be done by operations as long as it doesn't affect item C. – *F&I manager submitting contracts*
- B. Requires a skill set not available in an office person – *calling past due accounts*
- C. Part of pay plan – **profit \$\$\$** generating activity – *approving overtime – if this is an 'objective' then put in pay plans at a higher premium*

Close the Books Faster – 3 days!

Homework – *Look at your month-end Checklist*

Do **you** need to do that?

Look back at A, B, C skills

Do you **need** to do that?

Does it need to be done as part of the close?

Factory Statement

Schedules

Do you need to **do that**?

Faster way to do that?

Easier Way to do that?

Use your DMS better – Change or not?



DealerStar – the newest DMS – looking for GM, KIA, VW, Chrysler and investors. Email sandi@dealerstar.net for a prospectus.

Your Time Management

Do you ever feel like you didn't get anything done?

Tasks	
Fire drills	
Monkey	

What do you do all day? What percent of your day is spent on each?

T – Tasks that you do as part of your job; reconciling accounting, paying the sales tax, checking the bank balance

F – Fire drills. I call this any unplanned issue; a customer who lost a check, an employee upset about their pay, someone wrecked their demo or got hurt in the shop, covering for a sick employee, training someone who is new, and the dealer with about any reason...

M – Monkey. This is anyone who came into your office, emailed, texted, phoned to get something, ask you a question, tell you a story, manager meetings, or just chat with you about their weekend. Normally anything that is not a T or F is a Monkey...or the **dreaded “Close” – close the books faster!**



Time Wasters



Your office is not a library, conference room or cafeteria!



Are they really, really that busy?

Why they come in...	Solution
File cabinet with forms, checks	Move it outside your door
Bookshelf with manuals	Move it outside your door
Your inbox	Put on top of file cabinet
Checks to sign	3pm – outside your office
Sit and chat	Remove your chairs – or pile high
Eat candy	Really?

The biggest reasons why controllers and office managers get overwhelmed by tasks is that they don't delegate to their office staff – first step, what kind of staff do you have?

Action Plan – Profit Accounting

1. Find a better way to manage your office to get more time to be a ***Profit Accountant and not a bookkeeper***
2. **Stop putting them asleep with reports**
“Why” reports to increase profits and **their pay...**
Breakeven, absorption of expenses – item expenses, not detail
3. **Develop *your* metrics – not your 20 group**
4. **Breakeven points to profit areas 5 to 15**
5. **Are you and your “Cats” doing too many A and B tasks? Give TasksMaster a try – contact Nadine for extensions.**



Upgrade to version 2.0 of
you with Technology

Using Technology

▶ Excel Features

- **vlookup** 4 hour floor plan down to 15 minutes
 - **Pivot table** – better reports for your manager
 - **AutoFilter** – find the “what” for your “why”
 - **If** – the good and bad!
 - **Conditional formatting** – help them “see the answer”
- ▶ **Extra Credit Exercises** (Breakeven, Sold vs. Stock, Download Floorplan)

Office Tasks Assigned - Manager's V

			<u>Due Date</u>	<u>Last Done</u>	<u>Task Name</u>	<u>Assi</u>
		<input type="checkbox"/>				
Edit	Inline Edit	<input type="checkbox"/>	Done-Conf How to Conf Tip (1)	2013-11-11	11/11/2013	Accrue Floorplan interest Cher

To Learn More...

Training – how to get it and use it

- DMS system ADP, R+R – coached, Internet training
- Super Excel/Super DOC – Learn standardized reporting
- **Super Controller Guide**, 117 pages – whole dealership
- **Super Controller 2 & 3** – 101 pages– Expenses & Employees
- Pay Plan Wizard – Excel – what if?
- Taskmaster – Over 300 Tasks – are you doing everything you should? Nadine's consulting
- ***New! Super Reporting*** –Operational/Outside and financial reports for you to create – detail on Top 10+ Risk areas
- **Profit Accounting Academy**
- **DealerStar** – the newest DMS – looking for GM, KIA, VW, Chrysler and investors. Email sandi@dealerstar.net for a prospectus.



What is the Skill Level of your Staff?

▶ Before you can delegate, you need to determine the skill levels of your office personnel

- A. Anybody? File, make coffee, put stuff in order
- B. Better trained and qualified person
- C. CAT ; Confidential, Accurate, Timely

A Level	How many?	Names
B Level	How many?	Names
C Level	How many?	Names

Tasks – or “Desks?”

Steps to becoming a task-based office

- ▶ **Step 1** – Use the **TasksMaster Basic** (free for 3 months) version that we’ll be in our hands on session to determine if you have your tasks properly allocated by skill level. As a suggestion, put in Assigned to the person who is currently doing this and in the Backup, put the person you would like to train. Filter on Backup person to find those that need training and the tasks.
- ▶ **Step 2** – Get the **TasksMaster Plus** version. Both the setup and training of your staff might require a consultant (like me!) and I can come to your dealership to reallocate tasks based on skill levels, train your staff to use TasksMaster daily, weekly, and monthly, and help them get your “HowTo” files completed. Having the TasksMaster Plus version becomes a documentation, evaluation, archiving and training system for your office staff.
- ▶ **Step 3** – Starting using **TasksMaster Plus!** A new “A” skill level person can start reading the *HowTo* and *Tips* of B and C tasks to see if they are ready to learn more and move to a B or C level person. You can start paying a bonus – or determine their current pay level by their skill level and the amount of each task they perform.

Hands On TasksMaster

Hands On Extra Credit Floorplan

Hands On *Your* Breakeven