

General Motors

Dealer

Standard Accounting

Manual and Handbook

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TO THE GENERAL MOTORS DEALER:

Accounting, the process of properly recording and classifying business transactions, is an important factor, recognized as essential to the successful management of a business.

Control of capital and satisfactory profits are largely dependent upon the efficiency of management and its ability to direct the affairs of the business. Plans and decisions are necessary and these should be based on facts. Without facts, decisions may be made based on erroneous or unreliable information which, at worst, may jeopardize the business and, at best, may not utilize resources to their fullest extent to produce maximum profits.

Accounting itself will not correct mistakes and weaknesses which may exist in the operation of a business. However, it will assist in revealing them and thus contribute to sound understanding and intelligent action aimed at their correction.

Uniform accounting is necessary because it records the financial history of the business; but, more important, it provides the basis for meaningful comparisons.

There is, however, another important purpose of uniform accounting in dealerships.

If the most successful results are to be attained, a close relationship must exist between the dealers and the manufacturer. Dealership managers depend to an extent upon marketing policies established by the manufacturer for its products. It is essential that such policies be considered in the light of their effects upon the dealer organization. This fact is recognized by the manufacturer, but it must have factual information in order to make decisions and establish policies that are fair and equitable to the dealers and in the best interests of both parties. The Dealer's Standard Accounting, properly operated, provides these facts when the operating data is forwarded to the manufacturer each month.

Adherence to the provisions of this GM Dealer Standard Accounting Manual and Handbook will also enhance internal control within the dealership.

Your cooperation in this respect will do much toward the elimination of weaknesses and the building of a stronger and sounder dealer organization, capable of increasing sales at a satisfactory profit.

GENERAL MOTORS

TO THE DEALER'S ACCOUNTANT:

The General Motors Dealer Standard Accounting Manual and Handbook is not an explanation of the basic and fundamental principles or methods of bookkeeping, but is an accounting manual intended for use by an accountant.

It is our desire to have the dealer employ a skilled accountant who recognizes the importance of gauging the business and of assisting in the formulation of policies on the basis of facts rather than guesswork.

An accountant is one who understands the mechanics of bookkeeping and, in addition, has the ability to supervise the methods used in collecting the information to be recorded and to interpret and analyze the results disclosed by the operating data. Such an individual should be able to interpret:

- The trends of the business
- The results of changes in policies
- The fluctuations in various accounts
- The effect of such fluctuations

The accountant should be aware of changes in conditions of the business, which might prove detrimental to profits, be able to forecast the probable results of any contemplated actions or changes in policy, and be able to determine the number of vehicles, which must be sold to cover the unabsorbed overhead and produce a desired profit.

The value of the accountant is increased if he or she is able to furnish the dealer with the information outlined above.

The duties of a dealer accountant are:

1. Maintain the Dealer's Standard Accounting System in accordance with the instructions contained in this manual and supervise all methods used in the business for the recording of transactions.
2. Submit required trial balance information to FACTS 2.0 on a timely basis. Prepare necessary supporting schedules of accounts.
3. Prepare sales and profit forecasts for future periods as a guide for the business and make comparisons between these forecasts and the actual results.
4. Use the FACTS 2.0 Compass Reports each month as a tool in managing the business.

Assets

Cash & Contracts

200 Cash On Hand (Petty Cash)
201 Cash On Hand
202 Cash in Bank
205 Contracts in Transit
260 Securities

Receivables

210 Notes Receivable - Customers
220 Accounts Receivable - Customers
225 Cash Sales
261 Factory Receivables
262 Due from Finance Companies
263 Warranty Claims
264 Ins. Commissions Receivable

Inventories

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231 New Cars
235 New Medium Duty Trucks
237 New Trucks
238 Other Automotive
240 Used Cars
241 Used Trucks
242 Parts & Accessories
243 Tires
244 Gas, Oil & Grease
245 Paint & Body Shop Materials
246 Sublet Repairs
247 Work in Process-Labor
252 Other
258 Miscellaneous Assets Received in Trade

Prepaid Expenses

270 Prepaid Taxes
271 Prepaid Insurance
274 Prepaid-Other

Working Assets

275 Driver Training Vehicles
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281 Buildings & Improvements (Auto Business Only)
282 Machinery & Shop Equipment
283 Parts & Accessories Equipment
284 Furniture & Fixtures
285 Company Vehicles
286 Leaseholds
287 IT - Hardware
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289 Fixed Assets - Other

Other Assets

291 Life Insurance-Cash Value
293 Notes & Accounts Receivable-Officers
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296 Other Investments & Miscellaneous Assets

Liabilities

Accounts Payable

300 Accounts Payable-Trade Creditors
305 Warranty Claims Advance

Notes Payable

310 Notes Payable-New Vehicle & Demos
311 Notes Payable-Used Vehicles
312 Notes Payable-Lease & Rental Units
314 Notes Payable-Other

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321 Salaries, Wages & Commissions Payable
322 Insurance Payable
323 Payroll Taxes Payable
324 Sales Taxes Payable
325 Other Taxes Payable
327 Income Taxes Payable
328 Employee's Incentives/Bonuses Payable
329 Owner's Bonuses Payable
330 Retirement Benefits Payable
331 Other Payable

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332 Other Reserves
333 Deferred Taxes
334 Notes Payable - Capital Loans
335 Mortgages Payable & Facility Related Loans
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337 Other Notes - Owners
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347 Accumulated Depreciation Lease & Rental Units
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354 Accumulated Depreciation Furniture & Fixtures
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356 Accumulated Amortization of Leaseholds
357 Accumulated Depreciation IT - Hardware
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Owner's Equity

Net Worth

360 Capital Stock &
Additional Paid In Capital
370 Retained Earnings
375 Dividends
380 Investments
390 Drawings
399 Profit or Loss

New Vehicle Department

Sales & Cost of Sales

400 600
Thru Thru New Cars-Retail
418 618

420 620 New Cars-Fleet
421 621 New Cars-Internal

<u>423</u>	<u>623</u>	
<u>Thru</u>	<u>Thru</u>	<u>New Trucks-Retail</u>
<u>438</u>	<u>638</u>	
<u>440</u>	<u>640</u>	<u>New Trucks-Fleet</u>
<u>441</u>	<u>641</u>	<u>New Trucks-Internal</u>
<u>445</u>	<u>645</u>	<u>New Other Automotive</u>
<u>457</u>	<u>657</u>	<u>Accessories</u>
<u>494</u>	<u>694</u>	<u>Divisional Extended Warranties (Sales)</u>

Used Vehicle Department

Sales & Cost of Sales

<u>446A</u>	<u>646A</u>	<u>Used Cars Retail - Certified</u>
	<u>647A</u>	<u>Reconditioning - Cert. Used Cars</u>
<u>446B</u>	<u>646B</u>	<u>Used Cars Retail - Other</u>
	<u>647B</u>	<u>Reconditioning - Other Used Cars</u>
<u>450A</u>	<u>650A</u>	<u>Used Trucks Retail - Certified</u>
	<u>651A</u>	<u>Reconditioning - Cert. Used Trucks</u>
<u>450B</u>	<u>650B</u>	<u>Used Trucks Retail - Other</u>
	<u>651B</u>	<u>Reconditioning - Other Used Trucks</u>
<u>448</u>	<u>648</u>	<u>Used Cars Wholesale</u>
	<u>649</u>	<u>Adjustment-Used Car Inventory</u>
<u>452</u>	<u>652</u>	<u>Used Trucks-Wholesale</u>
	<u>653</u>	<u>Adjustment-Used Truck Inventory</u>
<u>456</u>	<u>656</u>	<u>Used Other Automotive</u>

Fixed Operations - Mechanical

Sales & Cost of Sales

<u>460A</u>	<u>660A</u>	<u>Customer Labor - Cars & Light Duty Trucks</u>
<u>460B</u>	<u>660B</u>	<u>Service Contracts Customer Labor - Cars & Light Duty Trucks</u>
<u>460C</u>	<u>660C</u>	<u>Quick Service Labor - Cars & Light Duty Trucks</u>
<u>461A</u>	<u>661A</u>	<u>Customer Labor - Commercial, Fleet & Medium Duty Trucks</u>
<u>461B</u>	<u>661B</u>	<u>Service Contracts Customer Labor - Commercial, Fleet & Medium Duty Trucks</u>
<u>461C</u>	<u>661C</u>	<u>Quick Service Labor - Commercial, Fleet & Medium Duty Trucks</u>
<u>462</u>	<u>662</u>	<u>Warranty Claim Labor - Mechanical</u>
<u>463</u>	<u>663</u>	<u>Internal Labor - Mechanical</u>
<u>464</u>	<u>664</u>	<u>New Vehicle Inspection Labor</u>
	<u>665</u>	<u>Adjustment-Cost of Labor Sales - Mechanical</u>
<u>466</u>	<u>666</u>	<u>Sublet Repairs</u>
<u>469</u>	<u>669</u>	<u>Shop Supplies</u>

Body Shop

Sales & Cost of Sales

<u>470</u>	<u>670</u>	<u>Customer Paint Labor - Cars & Trucks</u>
<u>471</u>	<u>671</u>	<u>Customer Body Labor - Cars & Trucks</u>
<u>472</u>	<u>672</u>	<u>Warranty Claim Labor - Paint & Body</u>
<u>473</u>	<u>673</u>	<u>Internal Labor-Paint & Body</u>
	<u>675</u>	<u>Adjustment-Cost of Labor Sales - Paint & Body</u>
<u>476</u>	<u>676</u>	<u>Sublet Repairs</u>
<u>479</u>	<u>679</u>	<u>Paint & Body Shop Materials</u>

Parts & Accessories Department

Sales & Cost of Sales

<u>467</u>	<u>667</u>	<u>Parts-Mechanical Repair Orders Cars & Light Duty Trucks</u>
<u>468</u>	<u>668</u>	<u>Parts-Mechanical Repair Orders Commercial, Fleet & Medium Duty Trucks</u>
<u>477</u>	<u>677</u>	<u>Parts-Body Customer Repair Orders - Cars & Trucks</u>
<u>478</u>	<u>678</u>	<u>Parts-Quick Service-Repair Orders</u>
<u>480</u>	<u>680</u>	<u>Parts-Warranty Claims</u>
<u>481</u>	<u>681</u>	<u>Parts-Internal</u>
<u>482</u>	<u>682</u>	<u>Parts-Counter-Retail</u>
<u>483</u>	<u>683</u>	<u>Parts-Wholesale</u>

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484	684	Accessories
	687	Purchase Allowances
	688	Adjustment-Parts & Accessories Inventory
490	690	Tires
491	691	Gas, Oil & Grease
492	692	Miscellaneous

Lease & Rental Activity

Close End Lease

511		Recurring Lease Payments
512		Maintenance Income
513		Partial Month (Pro-Rata) Income
514		Late Payment Charge
516		Administrative Fee
517		Other Lease Revenue
		Direct Cost
	711	Interest
	712	Amortization
	713	Insurance (In Service Vehicles)
	714	License, Title & Tax
	715	Policy-Leased Vehicles
	716	Maintenance & Repairs
	717	Rent-Sublet Units
	718	Other
510		Selling Price of Disposed Vehicles
	710	Cost of Sale of Disposed Vehicles

Open End Lease

521		Recurring Lease Payments
522		Maintenance Income
523		Partial Month (Pro-Rata) Income
524		Late Payment Charge
526		Administrative Fee
527		Other Lease Revenue
		Direct Cost
	721	Interest
	722	Amortization
	723	Insurance (In Service Vehicles)
	724	License, Title & Tax
	725	Policy-Leased Vehicles
	726	Maintenance & Repairs
	727	Rent-Sublet Units
	728	Other
520		Selling Price of Disposed Vehicles
	720	Cost of Sale of Disposed Vehicles

Rental

534		Late Payment Charge
535		Rental Income
536		Administrative Fee
		Direct Cost
	731	Interest
	732	Amortization
	733	Insurance (In Service Vehicles)
	734	License, Title & Tax
	735	Policy-Leased Vehicles
	736	Maintenance & Repairs
	737	Rent-Sublet Units
	738	Other
530		Selling Price of Disposed Vehicles
	730	Cost of Sale of Disposed Vehicles

F & I, Protection Plan Activity

<u>541</u>		<u>Insurance Commissions Earned</u>
	<u>740</u>	<u>F & I Manager Commissions</u>
	<u>741</u>	<u>Insurance Chargebacks</u>
<u>542</u>	<u>742</u>	<u>Accessories</u>
<u>543</u>	<u>743</u>	<u>GM Protection Plans</u>
<u>544</u>	<u>744</u>	<u>Other Protection Plans</u>

Finance & Insurance Activity

		New
<u>806</u>		<u>Finance Income-New</u>
<u>807</u>		<u>Insurance Commission Earned-New</u>
<u>810</u>	<u>860</u>	<u>Accessories-New</u>
<u>443</u>	<u>643</u>	<u>GM Protection Plans – New</u>
<u>444</u>	<u>644</u>	<u>Other Protection Plans - New</u>
	<u>850</u>	<u>Finance & Insurance Chargebacks</u>
	<u>853</u>	<u>Repossession Losses-New</u>
	<u>855</u>	<u>F & I Compensation - New</u>
<u>494</u>	<u>694</u>	<u>Divisional Extended Warranties (Sales)</u>

		Used
<u>808</u>		<u>Finance Income-Used</u>
<u>809</u>		<u>Insurance Commissions Earned-Used</u>
<u>811</u>	<u>861</u>	<u>Accessories-Used</u>
<u>454</u>	<u>654</u>	<u>GM Protection Plans – Used</u>
<u>455</u>	<u>655</u>	<u>Other Protection Plans - Used</u>
	<u>851</u>	<u>Finance & Insurance Chargebacks</u>
	<u>854</u>	<u>Repossession Losses-Used</u>
	<u>856</u>	<u>F & I Compensation – Used</u>

Additions to Income

<u>902</u>	<u>Bad Debts Recovered</u>
<u>903</u>	<u>Cash Discounts Earned</u>
<u>905</u>	<u>Other Income</u>
<u>909</u>	<u>GM Reimbursements</u>
<u>910</u>	<u>Document Handling Fees</u>

Deductions from Income

<u>952</u>	<u>LIFO Adjustment</u>
<u>953</u>	<u>Cash Discounts Allowed</u>
<u>955</u>	<u>Other Deductions</u>

Expenses

Expenses are to be distributed to each Department by creating sub-accounts formed by combining the three (3) digit expense account number with the two (2) digit department code.

Department Codes	
New Vehicles	01
Used Vehicles	02
Lease & Rental	03
Finance & Insurance	04
Mechanical	05
Body Shop	06
Parts & Accessories	07
(Not Used)	08
General & Administrative	09

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For example, Delivery Expenses charged to the New Vehicle Department should be posted to Account 013-01, Delivery Expense (New). Freight for Parts shipments should be posted to Account 033-07, Freight (Parts) – and so forth.

Variable Selling Expenses

011 Vehicle Salespeople Compensation & Other
013 Delivery Expense
015 Policy Work-Vehicles

Personnel Expenses

020 Salaries-Owners/Executive Managers
021 Salaries-Supervision
022 Salaries-Clerical
023 Other Salaries & Wages
024 Absentee Compensation
025 Taxes-Payroll
026 Incentives-Supervision
027 Employee Benefits
029 Retirement Benefits

Semi-Fixed Expenses

033 Postage / Freight
051 Company Vehicle Expense
056 Insurance-Vehicle Inventory
057 Bad Debt Expense
060 Office Supplies & Expenses
061 Other Supplies
063 E-Commerce Advertising/Fees
064 Advertising Rebates
065 Advertising
066 Contributions
067 Policy Work-Parts & Service
068 Information Technology Services
069 Outside Services (Other)
070 Travel & Entertainment
071 Membership Dues & Publications
072 Legal & Auditing Expense
074 Telephone
075 Training Expense
076 Interest-Notes Payable-Floorplan
077 Miscellaneous Expense
078 Interest-Floorplan Credit
079 Interest-Notes Payable (Other)

Fixed Expenses

080 Rent
081 Amortization-Leaseholds
082 Repairs-Real Estate
083 Depreciation Buildings & Improvements
084 Taxes-Real Estate
085 Insurance Buildings & Improvements
086 Interest-Mortgages
087 Utilities
088 Insurance Other
089 Taxes-Other
090 Repairs-Equipment
091 Depreciation-Equipment
092 Equipment Rental

Adjustments

097 Bonuses-Employees
098 Bonuses-Owners
099 Income Taxes - Current Year

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200 Cash on Hand (Petty Cash)

Assets

Cash and Contracts

Synopsis

Account 200, is established to record the amount of Cash kept at the dealership to provide change to customers and pay incidental bills, which are too small to warrant issuing a check.

Debits	Credits
1. The amount set aside when the fund is established 2. The amount added to increase the fund	1. The amount removed to decrease the fund

Example 1

Record a check for the amount of \$400 to establish a petty cash fund at the dealership.

Journal: Cash Disbursements and Purchases

Entry:		Debit	Credit
Account 200	Cash on Hand (Petty Cash)	\$400	
Account 202	Cash in Bank		\$400

Example 2

Record petty cash summary and reimbursement of \$280 to the Petty Cash Fund.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 061-05	Other Supplies	\$30	
Account 075-01	Training Expense	\$85	
Account 033-09	Postage/Freight	\$15	
Account 013-01	Delivery Expense	\$25	
Account 070-09	Travel and Entertainment	\$225	
Account 202	Cash in Bank		\$280

201 Cash on Hand

Assets

Cash and Contracts

Synopsis

Account 201 is established to record the Cash receipts at the dealership.

Debits	Credits
1. The amount of Cash received	1. The amount of Cash deposited in the bank

Example 1

Record the payment of \$375 from a wholesale parts customer on their account.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$375	
Account 220B	Accounts receivables – Customers – Service and Parts		\$375

Example 2

Record the receipt from customer for a down payment of \$1,500 on a purchase of a vehicle.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$1,500	
Account 220A	Accounts receivables – Customers – Vehicles		\$1,500

Example 3

Record the income of \$85 from vending machines.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$85	

Account 905	Other Income		\$85
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Example 4

Record daily bank deposit of \$1,960 for the above cash receipts.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 202	Cash in Bank	\$1,960	
Account 201	Cash on Hand		\$1,960

Comments

A debit balance represents undeposited receipts.

Note:

Bank deposits should be made daily.

202 Cash in Bank

Assets

Cash and Contracts

Synopsis

Account 202 is established to record the Cash deposited with banks and other financial institutions.

Debits	Credits
1. Cash deposits	1. Withdrawals
2. Savings deposits	2. Deposited checks returned by the bank
3. Time deposits	3. Bank charges
4. Certificates of deposit	
5. Interest on above deposits	

Example 1

Record ACH (Automated Clearing House) deposit of \$18,750 from a finance company on proceeds received on the sale of a new vehicle.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 202	Cash in Bank	\$18,750	
Account 205	Contracts in Transit		\$18,450
Account 262	Due from Finance Companies		\$300

Example 2

Record returned check of \$1,500 from a customer on a down payment for a purchase of a vehicle.

Journal: General Journal

Entry:		Debit	Credit
Account 220A	Accounts receivables – Customers – Vehicles	\$1,500	
Account 202	Cash in Bank		\$1,500

Example 3

Record check of \$5,595 issued to a vendor (trade creditor).

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 300	Accounts Payable – Trade Creditors	\$5,595	
Account 202	Cash in Bank		\$5,595

Example 4

Record petty cash summary and reimbursement of \$205 to the Petty Cash Fund.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 061-05	Other Supplies	\$30	
Account 246	Sublet Repairs	\$85	
Account 033-09	Postage/Freight	\$15	
Account 013-01	Delivery Expense	\$25	
Account 070-09	Travel and Entertainment	\$50	
Account 202	Cash in Bank		\$205

Comments

A debit balance represents the amount of cash on deposit while a credit balance represents drafts written in excess of cash on deposits.

Note:

The month-end balance should be reconciled with that shown on the bank statements.

All cash receipts should be cleared through Account 225, Cash Sales. When the bank deposit is made, the balance in Account 225, Cash Sales should be zero. (Please refer to Account 225, Cash Sales)

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

205 Contracts in Transit

Assets

Cash and Contracts

Synopsis

Account 205 is established to record finance Contracts covering new and used vehicle sales which have been submitted to financial institutions for payment.

Debits	Credits
1. Amounts financed on customer notes discounted with finance institutions	1. Payments received from finance institutions 2. Principals withheld by finance institutions on customer notes discounted

Example 1

Record a new vehicle sale for the amount of \$17,571 with a finance contract reserve of \$300, sales tax of \$879 and Registration Fees of \$125. The inventory value is \$16,721.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$18,575	
Account 262	Due from Finance Companies	\$300	
Account 600-618	Cost of Sales – New Cars – Retail	\$16,721	
Account 400-418	Sales – New Cars – Retail		\$17,571
Account 231	New Car Inventory		\$16,721
Account 324A	Sales Taxes Payable – Excise Taxes		\$879
Account 806	Finance Income – New		\$300
Account 905	Other Income (Registration Fees)		\$125

Example 2

Record an ACH (Automated Clearing House) deposit of \$18,875 from the finance institution for payment of the customer contract above.

Journal: Cash Receipts

Entry:		Debit	Credit

Account 202	Cash in Bank	\$18,875	
Account 205	Contracts in Transit		\$18,575
Account 262	Due from Finance Companies		\$300

Comments

A debit balance represents the amounts financed on customer notes discounted, which are due from finance institutions.

Note:

At month end, a schedule of the notes for which payments have not been received should be prepared.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

CUSTOMER RECEIVABLES

Separate general ledger accounts should be maintained for receivables resulting from vehicle sales, service and parts sales, leases and rentals, and other sales. Other should be for receivables resulting from sales of items carried in [Account 238 Other Automotive](#) (inventory) and [Account 252 Other](#) (Inventory)

For each general ledger account, a separate subsidiary ledger should be maintained. A detail of the debits and credits should be posted to the individual accounts in the subsidiary ledgers.

A supporting schedule with an age analysis of each subsidiary account should be prepared at the month end. The net amount of each schedule should agree with the balance in the related controlling account.

For purposes of aging, the due date of customer receivables is that agreed on at the time of the sale. This stipulation would apply to extended and usual terms of payment.

Receivables due from governmental agencies and collision claims with insurance companies may be aged. However, it is not necessary to include these amount in the over 90 days past due column unless collection appears doubtful. It is also not necessary to include these amounts in the month-end computation of the allowance for doubtful accounts.

Customer notes and accounts receivable, classified and aged in accordance with the trial balances, should be shown on the operating report.

Any credit balances listed on the trial balances should be classified as a current liability and shown on page 1 of the operating report as follows:

- Accounts Receivable Credit Balances
- Customer Deposits

If preferred, notes and accounts receivable from others may be recorded in these customer accounts but should be shown on page 1 of the operating report as follows:

- Debit Balances
[Account 293, Notes and Accounts Receivable - Officers](#), for amounts due from active and inactive officers and from stockholders.

[Account 294, Notes and Accounts Receivable - Other](#), for:

- A. Amounts due from employees for notes, accounts, loans, and advances, except current balances due for merchandise.
 - B. Loans and advances due from subsidiary and affiliated enterprises and from outsiders.
 - C. Amounts due from subsidiary and affiliated enterprises for merchandise when extended terms have been granted.
- Credit Balances
 1. Amounts Payable to officers and stockholders on open account should be combined with [Account 300, Accounts Payable – Trade Creditors](#).
 2. Notes payable due within one year to officers and stockholders should be combined with [Account 314, Notes Payable – Other](#).

210 Notes Receivable - Customers

Assets

Receivables

Synopsis

Account 210 is established to record monies owed by customers who have signed promissory notes to the dealership.

Debits	Credits
1. The value of notes accepted from customers	1. The amount of Customer payments received 2. The amount of Notes considered uncollectible 3. The balances due on notes secured by vehicles which have been repossessed

Example 1

Record a sale of a used vehicle for \$11,000 paid partly in cash (\$1,500) with \$11,175 financed by the dealership on an installment note, which included a finance charge of \$1,000. The finance charge was considered earned at the time of sale. The sales tax is \$550 and the Registration fees are \$125. The inventory value is \$9,750 of which \$750 is due to Reconditioning.

Journal: Used Vehicle Sales

Entry:		Debit	Credit
Account 210	Notes Receivables – Customers	\$11,175	
Account 220A	Accounts Receivable – Customers – Vehicles	\$1,500	
Account 646A	Cost of Sales – Used Cars Retail – Certified	\$9,000	
Account 647A	Reconditioning – Cert. Used Cars	\$750	
Account 446A	Sales – Used Cars Retail – Certified		\$11,000
Account 240	Inventory – Used Cars		\$9,750
Account 324A	Sales Taxes Payable – Excise Taxes		\$550
Account 808	Finance Income – Used		\$1,000
Account 905	Other Income (Registration Fees)		\$125

Example 2

Record a payment \$350 received on the installment note.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$350	
Account 210	Notes Receivables – Customers		\$350

Comments

A debit balance represents the unpaid balances of notes accepted from customers.

220 Accounts Receivable - Customers

Assets

Receivables

Synopsis

Account 220 is established to record the monies owed by customers who have open accounts with the dealership.

Debits	Credits
1. The amounts due from customer charge sales	1. The amount of Customer payments received
2. The amount of deposited checks returned by the bank	2. The value of Credits allowed to customers
3. The amount of Lease payments due on leases recorded as sales	3. The Deposits received on future sales
4. The earned portion of deferred income on leases recorded as sales	4. The amount of accounts considered uncollectible
5. The amount of Repossession surpluses paid	5. The amount of deferred income on leases recorded as sales
	6. The amount of Repossession surpluses due customers

Example 1

Record a Service customer charge of \$228 for a repair order. The customer paid labor is \$170. The parts sale is \$50. Shop supplies are \$5 and the Sales Tax is \$3. The cost of labor is \$51. The cost of parts is \$34 and the cost of shop supplies is \$4.

Journal: Service and Parts Sales

Entry:		Debit	Credit
Account 220B	Accounts Receivable – Customers – Service and Parts	\$228	
Account 660A	Cost of Sales – Customer Labor – Cars & Light Duty Trucks	\$51	
Account 667	Cost of Sales – Parts – Mechanical Repair Orders Cars & Light Duty Trucks	\$34	

Account 669	Cost of Sales – Shop Supplies	\$4	
Account 460A	Sales – Customer Labor – Cars & Light Duty Trucks		\$170
Account 467	Sales – Customer Labor – Cars & Light Duty Trucks		\$50
Account 469	Sales – Shop Supplies		\$5
Account 242	Inventory – Parts & Accessories		\$34
Account 242	Inventory – Parts & Accessories		\$4
Account 247A	Inventory – Work in Process - Mechanical		\$51
Account 324	Sales Taxes Payable		\$3

Example 2

Record a check of \$228 received in payment for the charges above.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$228	
Account 220B	Accounts Receivable – Customers – Service and Parts		\$228

Example 3

Record returned check of \$228 for insufficient funds from the customer above.

Journal: General Journal

Entry:		Debit	Credit
Account 220B	Accounts Receivable – Customers – Service and Parts	\$228	
Account 202	Cash in Bank		\$228

Example 4

Record the receipt of customer deposit for \$500 on a future car sale.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$500	
Account 220A	Accounts Receivable – Customers – Vehicles		\$500

Comments

A debit balance represents the net balances of customer accounts.

Note:

Sub-accounts should be created for each receivable category (such as customer Mechanical, Body Shop and Parts & Accessories). This will make the administrative task of analyzing receivables and collection follow-up more manageable.

225 Cash Sales

Assets

Receivables

Synopsis

Account 225 is established to record the cash received as a result of Sales transactions processed at the dealership.

Debits	Credits
1. Sales for cash	1. Cash received from cash sales 2. Cash refunds for return of merchandise by customers

Example 1

Record a customer cash sale of \$618 for mechanical labor and parts. The customer labor is \$340. The parts sale is \$250. The sales tax is \$13 and the shop supplies are \$15. The cost of labor is \$100. The parts cost is \$80 and the cost of shop supplies is \$13.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$618	
Account 660A	Cost of Sales – Customer Labor – Cars & Light Duty Trucks	\$100	
Account 667	Cost of Sales – Parts Mechanical Repair Orders & Light Duty Trucks	\$80	
Account 669	Cost of Sales – Shop Supplies	\$13	
Account 242	Inventory – Parts & Accessories		\$80
Account 242	Inventory – Parts & Accessories		\$13
Account 247A	Inventory – Work in Process – Mechanical		\$100
Account 324	Sales Taxes Payable		\$13
Account 460A	Sales – Customer Labor – Cars & Light Duty Trucks		\$340
Account 467	Sales – Parts Mechanical Repair Orders & Light Duty Trucks		\$250
Account 469	Sales – Shop Supplies		\$15

Example 2

Record a customer cash sale of \$3,740 for body shop labor, parts and materials. The body labor sale is \$740 and the paint labor sale is \$595. The parts sale is \$1,975. The paint and body shop materials are \$315 and the sales tax is \$115. The cost of labor is \$795 with \$350 due to paint labor and \$445 for body shop labor. The parts cost is \$1,380. The cost of body shop materials is \$235.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$3,740	
Account 670	Cost of Sales – Customer Paint Labor – Cars & Trucks	\$350	
Account 671	Cost of Sales – Customer Body Labor – Cars & Truck	\$445	
Account 677	Cost of Sales – Parts – Body Customer Repair Orders – Cars & Trucks	\$1,380	
Account 679	Cost of Sales – Paint & Body Shop Materials	\$235	
Account 242	Inventory – Parts & Accessories		\$1,380
Account 245	Inventory – Paint & Body Shop Materials		\$235
Account 247B	Inventory – Work in Process – Body Shop		\$795
Account 324	Sales Taxes Payable		\$115
Account 470	Sales – Customer Paint Labor – Cars & Trucks		\$595
Account 471	Sales – Customer Body Labor – Cars & Trucks		\$740
Account 477	Sales – Parts – Body Customer Repair Orders – Cars & Trucks		\$1,975
Account 479	Sales – Paint & Body Shop Materials		\$315

Example 3

Record a bank deposit of \$10,587 for Mechanical, Body Shop and Parts daily cash Sales

Journal: Cash Receipts

Entry:		Debit	Credit
202	Cash in Bank	\$10,587	
225	Cash Sales		\$10,587

Note:

This is a clearing account for cash sales and normally should have no month-end balance. If a balance exists, a month-end schedule should be prepared to determine the nature of the balance. The balance should be classified with the applicable asset and liability accounts on the trial balance.

230 Demonstrators

Assets

Inventories

Synopsis

Account 230 is established to record the inventory value of vehicle Demonstrators maintained to provide test rides for customers.

Debits	Credits
<ol style="list-style-type: none">1. The factory invoice amount, less holdback and other non-related items such as supplemental advertising funds, of new vehicles placed in demonstration and other temporary company service2. The Cost of New Vehicles placed into Demonstration inventory3. The Internal selling price of dealer-installed accessories and optional equipment and the labor and material required for installation4. The Destination, delivery and handling charges	<ol style="list-style-type: none">1. The replacement value of accessories, optional equipment and tires removed from units and placed in Account 242, Parts & Accessories (inventory) and Account 243, Tires (inventory) as applicable2. The amount of subsequent factory price reductions3. The cost of units taken out of service and transferred to new vehicle inventories prior to their sales as new vehicles4. The amount of factory credits applied to vehicles placed in temporary service

Example 1

Record the transfer of a new car into demonstrator inventory for \$15,500.

Journal: General Journal

Entry:		Debit	Credit
Account 230	Inventory – Demonstrators	\$15,500	
Account 231	Inventory – New Cars		\$15,500

Example 2

Record the sale of a CD changer for demonstrator unit for \$335. The mechanical labor sale for CD changer installation is \$85. The CD changer sale is \$250. The cost of internal labor is \$25. The CD changer cost is \$175.

Journal: Internal Sales

Entry:		Debit	Credit
Account 230	Inventory – Demonstrators	\$335	
Account 663	Cost of Sales – Internal Labor Mechanical	\$25	
Account 684	Cost of Sales – Parts – Accessories	\$175	
Account 242	Inventory – Parts & Accessories		\$175
Account 247A	Inventory – Work in Process – Mechanical		\$25
Account 463	Sales – Internal Labor Mechanical		\$85
Account 484	Sales – Parts – Accessories		\$250

Example 3

Record the \$2000 CTA/CTP credit from the factory on vehicle in demonstrator inventory.

Journal: Purchase

Entry:		Debit	Credit
Account 261	Factory Receivables	\$2000	
Account 230	Inventory – Demonstrators		\$200

Comments

A debit balance represents the cost of new vehicles set aside for use as demonstrators and for other temporary company service.

Note:

A record of each unit in the vehicle inventories shown below should be made on a Vehicle Inventory Record at the time the unit is acquired.

Stock numbers should be assigned in numerical sequence to new, used and repossessed units acquired. A used unit accepted in trade on the sale of a new unit should be given the same stock number as the new unit sold, but followed by the letter A. A used unit accepted in trade on the sale of another used unit should be given the same stock number as the used unit sold, but followed by the letter B, etc.

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Demonstrators

- New Cars
- New Trucks
- Other Automotive

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Used Cars
- Used Trucks

LAST-IN, FIRST-OUT (LIFO) INVENTORY VALUATION

Dealers who have elected to utilize the LIFO method of reporting inventory values should establish separate general ledger accounts captioned LIFO Reserve for each inventory account affected by LIFO.

For example, the entries to establish the initial LIFO adjustment for new vehicles should be handled as follows:

	<u>New Cars</u>	<u>New Trucks</u>
Actual inventory	\$425,000	\$175,000
LIFO inventory	<u>\$370,000</u>	<u>\$140,000</u>
LIFO adjustment	\$55,000	\$35,000
	<u>DEBIT</u>	<u>CREDIT</u>
ENTRY: Acct. 952 LIFO Adjustment	\$90,000	
Acct. 231L, Inventory-New Cars-LIFO Reserve		\$55,000
Acct. 237L, Inventory-New Trucks-LIFO Reserve		\$35,000

Subsequent adjustments to each LIFO reserve account should be offset to [Account 952, LIFO Adjustment](#). LIFO adjustments must be recorded and displayed on Page 7, on the operating report.

The Total LIFO Reserve, Line 36, Page 7, will be transferred & displayed on Page 1, Line 35.

231 New Cars

Assets

Inventories

Synopsis

Account 231 is established to record the inventory value of New Cars on hand.

Debits	Credits
<ol style="list-style-type: none"> 1. The factory invoice amount, less holdback and other non-related items such as supplemental advertising funds, of New Cars acquired 2. The Internal selling price of dealer-installed accessories and optional equipment and the labor and materials required for installation 3. The Destination, delivery and handling charges 4. The Cost of new units transferred from demonstration and other temporary company service for sales as new cars 	<ol style="list-style-type: none"> 1. The replacement value of accessories, optional equipment and tires removed from new cars and placed in Account 242, Parts & Accessories (inventory) and Account 243, Tires (inventory) as applicable 2. The amount of subsequent factory price reductions 3. The Cost of New Cars placed in demonstration and other temporary company service 4. The Cost of New Cars transferred to other dealers 5. The Cost of New Cars sold and otherwise disposed of

Example 1

Record the factory invoice of \$17,043 for the purchase of a new car from the manufacturer. The new car inventory value is \$16,168, the Holdback is \$525, Co-op Advertising is \$175 and New Vehicle Advertising expense is \$175.

Journal: New Vehicle Purchase

Entry:		Debit	Credit
Account 231	Inventory – New Cars	\$16,168	
Account 261	Factory Receivables – Holdback	\$525	
Account 261	Factory Receivables – Co-op Advertising	\$175	
Account 065-01	Advertising Expense – New Vehicles Department	\$175	

Account 310	Notes Payable – New Vehicle & Demos		\$17,043
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Example 2

Record the \$17,043 purchase of a new car from another dealer. The new car inventory value of \$16,168, \$525 Holdback, \$175 LAM dealer contribution and the \$175 LAM group contribution are to be recorded as debits to account 905.

Journal: Cash Disbursement (or New Vehicle Purchase Journal)

Entry:		Debit	Credit
Account 231	Inventory – New Cars	\$16,168	
Account 905	Other Income (Holdback)	\$525	
Account 905	Other Income (LAM Dealer Contribution)	\$175	
Account 905	Other Income (LAM Group Contribution)	\$175	
Account 202	Cash in Bank		\$17,043

Example 3

Record a Dealer Exchange (DX) of \$17,043 new car sale to another dealer. The \$525 Holdback, \$175 LAM dealer contribution and the \$175 LAM group contribution are to be recorded as credits to account 905.

Journal: Dealer Exchange

Entry:		Debit	Credit
Account 220A	Accounts Receivables – Customers-Vehicles	\$17,043	
Account 231	Inventory – New Cars		\$16,168
Account 905	Other Income (Holdback)		\$525
Account 905	Other Income (LAM Dealer Contribution)		\$175
Account 905	Other Income (LAM Group Contribution)		\$175

Example 4

Record the \$335 sale and installation of CD changer in a new vehicle. The CD changer sale is \$250 and the internal labor sale is \$85. The internal labor cost is \$25 and the CD changer cost is \$175.

Journal: Internal Sales

Entry:		Debit	Credit
Account 231	Inventory – New Cars	\$335	

Account 663	Cost of Sales – Internal Labor Mechanical	\$25	
Account 684	Cost of Sales – Accessories	\$175	
Account 242	Inventory – Parts & Accessories		\$175
Account 247A	Inventory – Work in Process – Mechanical		\$25
Account 463	Sales – Internal Labor Mechanical		\$85
Account 484	Sales – Accessories		\$250

Comments

A debit balance represents the cost of New Cars in inventory.

Note:

A record of each unit in the vehicle inventories shown below should be made on a Vehicle Inventory Record at the time the unit is acquired.

Stock numbers should be assigned in numerical sequence to new, used and repossessed units acquired. A used unit accepted in trade on the sale of a new unit should be given the same stock number as the new unit sold, but followed by the letter A. A used unit accepted in trade on the sale of another used unit should be given the same stock number as the used unit sold, but followed by the letter B, etc.

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Demonstrators
- New Cars
- New Trucks
- Other Automotive

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Used Cars
- Used Trucks

LAST-IN, FIRST-OUT (LIFO) INVENTORY VALUATION

Dealers who have elected to utilize the LIFO method of reporting inventory values should establish separate general ledger accounts captioned LIFO Reserve for each inventory account affected by LIFO.

For example, the entries to establish the initial LIFO adjustment for new vehicles should be handled as follows:

	<u>New Cars</u>	<u>New Trucks</u>
Actual inventory	\$425,000	\$175,000
LIFO inventory	\$370,000	\$140,000
LIFO adjustment	<u>\$55,000</u>	<u>\$35,000</u>
	<u>DEBIT</u>	<u>CREDIT</u>
ENTRY: Acct. 952 LIFO Adjustment	\$90,000	
Acct. 231L, Inventory-New Cars-LIFO Reserve		\$55,000
Acct. 237L, Inventory-New Trucks-LIFO Reserve		\$35,000

Subsequent adjustments to each LIFO reserve account should be offset to [Account 952, LIFO Adjustment](#). LIFO adjustments must be recorded and displayed on Page 7, on the operating report.

The Total LIFO Reserve, Line 36, Page 7, will be transferred & displayed on Page 1, Line 35.

235 Medium Duty Trucks

Assets

Inventories

Synopsis

Account 235 is established to record the inventory value of New Medium Duty Trucks on hand.

Debits	Credits
<ol style="list-style-type: none"> 1. The factory invoice amount, less holdback and other non-related items such as supplemental advertising funds, of new Medium Duty Trucks acquired 2. The Internal selling price of dealer-installed accessories and optional equipment and the labor and materials required for installation 3. The cost of dealer installed Other Automotive items and the Internal selling price of the labor and materials required for installation 4. The Destination, delivery and handling charges 5. The Cost of new units transferred from demonstration and other temporary company service for sales as new Medium Duty Trucks 	<ol style="list-style-type: none"> 1. The replacement value of accessories, optional equipment and tires removed from new Medium Duty Trucks and placed in Account 242, Parts & Accessories (inventory) and Account 243, Tires (inventory) as applicable 2. The amount of subsequent factory price reductions 3. The Cost of new Medium Duty Trucks placed in demonstration and other temporary company service 4. The Cost of new Medium Duty Trucks transferred to other dealers 5. The Cost of new Medium Duty Trucks sold and otherwise disposed of

Example 1

Record the factory invoice \$26,291 and \$680 Holdback for the purchase of a new medium duty truck from the manufacturer.

Journal: New Medium Duty Trucks Purchase

Entry:		Debit	Credit
Account 235	Inventory – New Medium Duty Trucks	\$26,291	
Account 261	Factory Receivables – Holdback	\$680	

Account 310	Notes Payable – New Vehicles & Demos		\$26,971
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Example 2

Record the sale of a medium duty truck for the amount of \$30,000 with a finance contract reserve of \$665, sales tax of \$1,500 and Registration Fees of \$180. The inventory value is \$26,971.

Journal: New Medium Duty Truck Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$31,680	
Account 262	Due from Finance Companies	\$665	
Account 638	Cost of Sales – New Trucks – Retail	\$26,971	
Account 438	Sales – New Trucks – Retail		\$30,000
Account 235	Inventory – New Trucks		\$26,971
Account 324A	Sales Taxes Payable – Excise Taxes		\$1,500
Account 806	Finance Income – New		\$665
Account 910	Document Handling Fees		\$180

Comments

A debit balance represents the cost of new Medium Duty Trucks in inventory.

Note:

A record of each unit in the vehicle inventories shown below should be made on a Vehicle Inventory Record at the time the unit is acquired.

Stock numbers should be assigned in numerical sequence to new, used and repossessed units acquired. A used unit accepted in trade on the sale of a new unit should be given the same stock number as the new unit sold, but followed by the letter A. A used unit accepted in trade on the sale of another used unit should be given the same stock number as the used unit sold, but followed by the letter B, etc.

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Demonstrators
- New Cars
- New Trucks
- Other Automotive

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Used Cars
- Used Trucks

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

LAST-IN, FIRST-OUT (LIFO) INVENTORY VALUATION

Dealers who have elected to utilize the LIFO method of reporting inventory values should establish separate general ledger accounts captioned LIFO Reserve for each inventory account affected by LIFO.

For example, the entries to establish the initial LIFO adjustment for new vehicles should be handled as follows:

	<u>New Cars</u>	<u>New Trucks</u>
Actual inventory	\$425,000	\$175,000
LIFO inventory	<u>\$370,000</u>	<u>\$140,000</u>
LIFO adjustment	\$55,000	\$35,000
	<u>DEBIT</u>	<u>CREDIT</u>
ENTRY: Acct. 952 LIFO Adjustment	\$90,000	
Acct. 231L, Inventory-New Cars-LIFO Reserve		\$55,000
Acct. 237L, Inventory-New Trucks-LIFO Reserve		\$35,000

Subsequent adjustments to each LIFO reserve account should be offset to [Account 952, LIFO Adjustment](#). LIFO adjustments must be recorded and displayed on Page 7, on the operating report.

The Total LIFO Reserve, Line 36, Page 7, will be transferred & displayed on Page 1, Line 35.

237 New Trucks

Assets

Inventories

Synopsis

Account 237 is established to record the inventory value of New Trucks and Motor Homes on hand.

Debits	Credits
<ol style="list-style-type: none"> 1. The Factory invoice amount, less holdback and other non-related items such as supplemental advertising funds, of new trucks and motor homes acquired 2. The Internal selling price of dealer-installed accessories and optional equipment and the labor and materials required for installation 3. The Cost of dealer-installed Other Automotive items and the internal selling price of the labor and materials required for installation 4. The Destination, delivery and handling charges 5. The Cost of new units transferred from demonstration and other temporary company service for sale as new trucks and motor homes 	<ol style="list-style-type: none"> 1. The replacement value of accessories, optional equipment and tires removed from new trucks and motor homes and placed in Account 242, Parts & Accessories (inventory) and Account 243, Tires (inventory) as applicable 2. The Cost of new trucks and motor homes placed in demonstration and other temporary company service 3. The amount of subsequent factory price reductions 4. The Cost of new trucks and motor homes transferred to other dealers 5. The Cost of new trucks and motor homes sold and otherwise disposed of

Example 1

Record the purchase of a truck from the manufacturer in the amount of \$42,250. The inventory value of the truck is \$40,150, with Holdback of \$1400, Co-op Advertising of \$467 and New Cars Advertising expense of \$233.

Journal: New Truck Purchases

Entry:		Debit	Credit
Account 237	Inventory – New Trucks	\$40,150	

Account 261	Factory Receivables – Holdback	\$1,400	
Account 261	Factory Receivables – Co-op Advertising	\$467	
Account 065-01	Advertising Expense – New Cars	\$233	
Account 310	Notes Payable – New Vehicle & Demos		\$42,250

Example 2

Record a new truck sale for the amount of \$41,551 with a finance contract reserve of \$1,297, sales tax of \$2,078 and Registration Fees of \$180. The inventory value of the truck is \$40,151.

Journal: New Truck Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$43,809	
Account 262	Due from Finance Companies	\$1,297	
Account 623-638	Cost of Sales – New Trucks – Retail	\$40,151	
Account 423-438	Sales – New Trucks – Retail		\$41,551
Account 237	Inventory – New Trucks		\$40,151
Account 324A	Sales Taxes Payable – Excise Taxes		\$2,078
Account 806	Finance Income – New		\$1,297
Account 910	Document Handling Fees		\$180

Comments

A debit balance represents the cost of new trucks and motor homes in inventory.

Note:

A record of each unit in the vehicle inventories shown below should be made on a Vehicle Inventory Record at the time the unit is acquired.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

Stock numbers should be assigned in numerical sequence to new, used and repossessed units acquired. A used unit accepted in trade on the sale of a new unit should be given the same stock number as the new unit sold, but followed by the letter A. A used unit accepted in trade on the sale of another used unit should be given the same stock number as the used unit sold, but followed by the letter B, etc.

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Demonstrators
- New Cars
- New Trucks
- Other Automotive

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Used Cars
- Used Trucks

LAST-IN, FIRST-OUT (LIFO) INVENTORY VALUATION

Dealers who have elected to utilize the LIFO method of reporting inventory values should establish separate general ledger accounts captioned LIFO Reserve for each inventory account affected by LIFO.

For example, the entries to establish the initial LIFO adjustment for new vehicles should be handled as follows:

	<u>New Cars</u>	<u>New Trucks</u>
Actual inventory	\$425,000	\$175,000
LIFO inventory	<u>\$370,000</u>	<u>\$140,000</u>
LIFO adjustment	\$55,000	\$35,000
	<u>DEBIT</u>	<u>CREDIT</u>
ENTRY: Acct. 952 LIFO Adjustment	\$90,000	
Acct. 231L, Inventory-New Cars-LIFO Reserve		\$55,000
Acct. 237L, Inventory-New Trucks-LIFO Reserve		\$35,000

Subsequent adjustments to each LIFO reserve account should be offset to [Account 952, LIFO Adjustment](#). LIFO adjustments must be recorded and displayed on Page 7, on the operating report.

The Total LIFO Reserve, Line 36, Page 7, will be transferred & displayed on Page 1, Line 35.

238 Other Automotive

Assets

Inventories

Synopsis

Account 238 is established to record inventory of Other Automotive merchandise that cannot be classified as a Car, Truck or Medium Duty Truck.

Debits	Credits
<ol style="list-style-type: none">1. The factory invoice amount, less holdback and other non-related items such as supplemental advertising funds, of new other automotive items acquired2. The Internal selling price of dealer-installed accessories and optional equipment and the labor and materials required for installation3. The Destination, delivery and handling charges4. The lower of trade-in allowance or appraised wholesale value of used items accepted in trade on sales of new and used items5. The Cost of used items purchased6. The Traveling expenditures when acquiring these items7. The selling price of the labor and materials used in reconditioning8. The Auction fees on used items purchased	<ol style="list-style-type: none">1. The replacement value of accessories, optional equipment and tires removed from other automotive items and placed in Account 243, Tires (inventory) and Account 252, Other (inventory) as applicable2. The amount of subsequent factory price reductions3. Any required writedown of new items to market value4. The monthly writedown of used items to appraised wholesale values5. The Inventory value of items sold and otherwise disposed of

Example 1

Record a purchase of a motorcycle for \$35,000 from another dealer for resale.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 238	Inventory – Other Automotive	\$35,000	
Account 202	Cash in Bank		\$35,000

Example 2

Record a purchase of a camp trailer for \$18,000 directly from the manufacturer for resale.

Journal: New Vehicle Purchase

Entry:		Debit	Credit
Account 238	Inventory – Other Automotive	\$18,000	
Account 310A	Notes Payable – Other Automotive		\$18,000

Example 3

Record an internal repair order for \$1,290 for the installation of a mobile TV and DVD player in a boat. The internal labor sale is \$170 and the part sale is \$1,120. The cost of labor is \$51 and the cost of the TV and DVD player is \$895.

Journal: Internal Sales

Entry:		Debit	Credit
Account 238	Inventory – Other Automotive	\$1,290	
Account 663	Cost of Sales – Internal Labor – Mechanical	\$51	
Account 684	Cost of Sales – Accessories	\$895	
Account 242	Inventory – Parts & Accessories		\$895
Account 247A	Inventory – Work in Process – Mechanical		\$51
Account 463	Sales – Internal Labor – Mechanical		\$170
Account 484	Sales – Parts & Accessories		\$1,120

Comments

A debit balance represents the inventory value of other automotive items in inventory regularly stocked for resale. This should include all new and used self-propelled vehicles (other than motor homes) and other automotive-oriented merchandise such as:

- a. Aircraft
- b. Boats
- c. Camper bodies
- d. Farm tractors
- e. Golf carts
- f. Motorcycles
- g. Scooters

- h. Snowmobiles
- i. Special bodies
- j. Truck equipment and trainers
- k. Utility, house and camp trailers

Note:

A record of each unit in the vehicle inventories shown below should be made on a Vehicle Inventory Record at the time the unit is acquired.

Stock numbers should be assigned in numerical sequence to new, used and repossessed units acquired. A used unit accepted in trade on the sale of a new unit should be given the same stock number as the new unit sold, but followed by the letter A. A used unit accepted in trade on the sale of another used unit should be given the same stock number as the used unit sold, but followed by the letter B, etc.

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Demonstrators
- New Cars
- New Trucks
- Other Automotive

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Used Cars
- Used Trucks

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

LAST-IN, FIRST-OUT (LIFO) INVENTORY VALUATION

Dealers who have elected to utilize the LIFO method of reporting inventory values should establish separate general ledger accounts captioned LIFO Reserve for each inventory account affected by LIFO.

For example, the entries to establish the initial LIFO adjustment for new vehicles should be handled as follows:

	<u>New Cars</u>	<u>New Trucks</u>
Actual inventory	\$425,000	\$175,000
LIFO inventory	<u>\$370,000</u>	<u>\$140,000</u>
LIFO adjustment	\$55,000	\$35,000
	<u>DEBIT</u>	<u>CREDIT</u>
ENTRY: Acct. 952 LIFO Adjustment	\$90,000	
Acct. 231L, Inventory-New Cars-LIFO Reserve		\$55,000
Acct. 237L, Inventory-New Trucks-LIFO Reserve		\$35,000

Subsequent adjustments to each LIFO reserve account should be offset to [Account 952, LIFO Adjustment](#). LIFO adjustments must be recorded and displayed on Page 7, on the operating report.

The Total LIFO Reserve, Line 36, Page 7, will be transferred & displayed on Page 1, Line 35.

240 Used Cars

Assets

Inventories

Synopsis

Account 240 is established to record the inventory value of Used Cars on hand.

Debits	Credits
<ol style="list-style-type: none">1. The lower of trade-in allowance or appraised wholesale value of used cars accepted in trade on sales of new and used units2. The Cost of used cars purchased, including those of factory representatives3. The Internal selling price of the labor and materials used in reconditioning4. The traveling expenditures when acquiring used cars5. The auction fees on used cars purchased6. The Appraised wholesale value of company-owned cars, other than those in demonstration and other temporary company service, transferred for sales as used cars7. The Appraised wholesale value of repossessed cars	<ol style="list-style-type: none">1. The Inventory value if used cars sold and otherwise disposed of2. The monthly write down to appraised wholesale values

Example 1

Record the purchase of a used vehicle from an auto auction in the amount of \$14,795 and the used car is added to the used car floorplan. The purchase price includes an auction fee of \$295.

Journal: Used Car Purchase

Entry:		Debit	Credit
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Account 240	Inventory – Used Cars	\$14,795	
Account 311	Notes Payable – Used Vehicles		\$14,795

Example 2

Record an internal repair order for reconditioning cost of \$400 to the used vehicle above. The internal labor sale is \$300 and the parts sale is \$100. The cost of labor is \$90 and the cost of parts is \$80.

Journal: Internal Sales

Entry:		Debit	Credit
Account 240	Inventory – Used Cars	\$400	
Account 663	Cost of Sales – Internal Labor – Mechanical	\$90	
Account 681	Cost of Sales – Parts – Internal	\$80	
Account 242	Inventory – Parts & Accessories		\$80
Account 247A	Inventory – Work in Process – Mechanical		\$90
Account 463	Sales – Internal Labor – Mechanical		\$300
Account 481	Sales – Parts – Internal		\$100

Example 3

Record the sale of the used car above in the amount of \$16,695, with sales tax of \$835 and Registration Fees of \$125. The inventory value of the used car is \$15,195 with \$400 due to reconditioning.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 220A	Accounts Receivable – Customer – Vehicles	\$17,655	
Account 646A	Cost of Sales – Used Cars Retail – Certified	\$14,795	
Account 647A	Reconditioning – Cert. Used Cars	\$400	
Account 240	Inventory – Used Cars		\$15,195
Account 446A	Sales – Used Cars Retail – Certified		\$16,695
Account 324A	Sales Taxes Payable – Excise Taxes		\$835
Account 910	Document Handling Fees		\$125

Example 4

Record the \$550 write-down of a used car that has been in inventory for over 180 days.

Journal: General Journal

Entry:		Debit	Credit

Account 649	Adjustment – Used Car Inventory	\$550	
Account 240	Inventory – Used Cars		\$550

Comments

A debit balance represents the inventory value of used cars intended for resale.

Note:

The inventory value of each used vehicle should be the lower of cost or appraised wholesale value.

The cost of a used vehicle is:

- Trade-in allowance
- OR
- Purchase price
- PLUS
- Internal selling price of mechanical and body reconditioning, including accessories, optional equipment and body and truck equipment plus the internal selling price of the labor and materials required for installation.
- Traveling expenditures when acquiring vehicles.
- Auction fees on vehicles purchased.

At each month end, used vehicles should be adjusted to appraised wholesale values through [Account 649, Adjustment – Used Car Inventory](#) , and [Account 653, Adjustment – Used Truck Inventory](#), as applicable.

A record of the cost of reconditioning a used vehicle and the amount of the monthly writedown, if necessary, should be made on the applicable Vehicle Inventory Record.

Used vehicles purchased at GM auctions and from GM divisions should be identified. This can be accomplished by the use of a prefix to the stock number such as PGM 236. The P meaning a purchased unit and GM meaning GM auction or divisions.

A record of each unit in the vehicle inventories shown below should be made on a Vehicle Inventory Record at the time the unit is acquired.

Stock numbers should be assigned in numerical sequence to new, used and repossessed units acquired. A used unit accepted in trade on the sale of a new unit should be given the same stock number as the new unit sold, but followed by the letter A. A used unit accepted in trade on the sale of another used unit should be given the same stock number as the used unit sold, but followed by the letter B, etc.

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Demonstrators
- New Cars
- New Trucks
- Other Automotive

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Used Cars
- Used Trucks

LAST-IN, FIRST-OUT (LIFO) INVENTORY VALUATION

Dealers who have elected to utilize the LIFO method of reporting inventory values should establish separate general ledger accounts captioned LIFO Reserve for each inventory account affected by LIFO.

For example, the entries to establish the initial LIFO adjustment for new vehicles should be handled as follows:

	<u>New Cars</u>	<u>New Trucks</u>
Actual inventory	\$425,000	\$175,000
LIFO inventory	<u>\$370,000</u>	<u>\$140,000</u>
LIFO adjustment	\$55,000	\$35,000
	<u>DEBIT</u>	<u>CREDIT</u>
ENTRY: Acct. 952 LIFO Adjustment	\$90,000	
Acct. 231L, Inventory-New Cars-LIFO Reserve		\$55,000
Acct. 237L, Inventory-New Trucks-LIFO Reserve		\$35,000

Subsequent adjustments to each LIFO reserve account should be offset to [Account 952, LIFO Adjustment](#). LIFO adjustments must be recorded and displayed on Page 7, on the operating report.

The Total LIFO Reserve, Line 36, Page 7, will be transferred & displayed on Page 1, Line 35.

241 Used Trucks

Assets

Inventories

Synopsis

Account 241 is established to record the inventory value of Used Trucks on hand.

Debits	Credits
<ol style="list-style-type: none">1. The lower of trade-in allowance or appraised wholesale value of used trucks and motor homes accepted in trade on sales of new and used units2. The Cost of used trucks and motor homes purchased, including those of factory representatives3. The Internal selling price of the labor and materials used in reconditioning4. The traveling expenditures when acquiring used trucks and motor homes5. The auction fees on used trucks and motor homes purchased6. The Appraised wholesale value of company-owned trucks and motor homes, other than those in demonstration and other temporary company service, transferred for sales as used trucks7. The Appraised wholesale value of repossessed trucks	<ol style="list-style-type: none">1. The Inventory value of used trucks and motor homes sold and otherwise disposed of2. The monthly write down to appraised wholesale values

Example 1

Record the \$3,500 trade-in of a used truck on the \$18,300 sale of a new car with sales tax of \$1,015. The inventory value of the new car is \$17,500.

Journal: New Car Sales

Entry:		Debit	Credit
Account 220A	Accounts Receivable – Customer – Vehicles	\$15,815	
Account 241	Inventory – Used Trucks	\$3,500	
Account 600	Cost of Sales – New Car	\$17,500	
Account 231	Inventory – New Cars		\$17,500
Account 400	Sales – New Cars		\$18,300
Account 324A	Sales Taxes Payable – Excise Taxes		\$1,015

Example 2

Record the \$3,400 sale of the above used truck to a wholesaler. The inventory value is \$3,500.

Journal: Wholesale Sales

Entry:		Debit	Credit
Account 220A	Accounts Receivable – Customers – Vehicles	\$3,400	
Account 652	Cost of Sales – Used Trucks – Wholesale	\$3,500	
Account 241	Inventory – Used Trucks		\$3,500
Account 452	Sales – Used Trucks		\$3,400

Example 3

Record the \$200 write-down of a used truck in inventory.

Journal: General Journal

Entry:		Debit	Credit
Account 653	Adjustment – Used Truck Inventory	\$200	
Account 241	Inventory – Used Trucks		\$200

Example 4

Record a \$400 internal repair order for reconditioning costs to a used truck that is in inventory. The internal labor sale is \$300 and internal parts sale is \$100. The cost of the internal labor sale is \$90 and cost of the internal parts sale is \$80.

Journal: Internal Sales

Entry:		Debit	Credit
Account 241	Inventory – Used Trucks	\$400	
Account 663	Cost of Sales – Internal Labor – Mechanical	\$90	
Account 681	Cost of Sales – Parts – Internal	\$80	

Account 242	Inventory – Parts & Accessories		\$80
Account 247A	Inventory – Work in Process – Mechanical		\$90
Account 463	Sales – Internal Labor – Mechanical		\$300
Account 481	Sales – Parts – Internal		\$100

Comments

A debit balance represents the inventory value of used trucks and motor homes intended for resale.

Note:

The inventory value of each used vehicle should be the lower of cost or appraised wholesale value.

The cost of a used vehicle is:

- Trade-in allowance
- OR
- Purchase price
- PLUS
- Internal selling price of mechanical and body reconditioning, including accessories, optional equipment and body and truck equipment plus the internal selling price of the labor and materials required for installation.
- Traveling expenditures when acquiring vehicles.
- Auction fees on vehicles purchased.

At each month end, used vehicles should be adjusted to appraised wholesale values through [Account 649, Adjustment – Used Car Inventory](#), and [Account 653, Adjustment – Used Truck Inventory](#), as applicable.

A record of the cost of reconditioning a used vehicle and the amount of the monthly writedown, if necessary, should be made on the applicable Vehicle Inventory Record.

Used vehicles purchased at GM auctions and from GM divisions should be identified. This can be accomplished by the use of a prefix to the stock number such as PGM 236. The P meaning a purchased unit and GM meaning GM auction or divisions.

A record of each unit in the vehicle inventories shown below should be made on a Vehicle Inventory Record at the time the unit is acquired.

Stock numbers should be assigned in numerical sequence to new, used and repossessed units acquired. A used unit accepted in trade on the sale of a new unit should be given the same stock number as the new unit sold, but followed by the letter A. A used unit accepted in trade on the sale of another used unit should be given the same stock number as the used unit sold, but followed by the letter B, etc.

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Demonstrators
- New Cars
- New Trucks
- Other Automotive

Supporting month-end schedules should be prepared. These schedules should be in agreement with the general ledger accounts and compared to physical inventories of the following:

- Used Cars
- Used Trucks

LAST-IN, FIRST-OUT (LIFO) INVENTORY VALUATION

Dealers who have elected to utilize the LIFO method of reporting inventory values should establish separate general ledger accounts captioned LIFO Reserve for each inventory account affected by LIFO.

For example, the entries to establish the initial LIFO adjustment for new vehicles should be handled as follows:

	New Cars	New Trucks
Actual inventory	\$425,000	\$175,000
LIFO inventory	\$370,000	\$140,000
LIFO adjustment	\$55,000	\$35,000
	DEBIT	CREDIT
ENTRY: Acct. 952 LIFO Adjustment	\$90,000	
Acct. 231L, Inventory-New Cars-LIFO Reserve		\$55,000
Acct. 237L, Inventory-New Trucks-LIFO Reserve		\$35,000

Subsequent adjustments to each LIFO reserve account should be offset to [Account 952, LIFO Adjustment](#). LIFO adjustments must be recorded and displayed on Page 7, on the operating report.

The Total LIFO Reserve, Line 36, Page 7, will be transferred & displayed on Page 1, Line 35.

242 Parts and Accessories

Assets

Inventories

Synopsis

Account 242 is established to record the inventory value of Parts and Accessories on hand.

Debits	Credits
1. The Cost of parts and accessories acquired, other than those purchased with new vehicles	1. The amount of Purchase discounts
2. The Cost of shop supplies acquired	2. The Inventory value of parts and accessories sold and otherwise disposed of
3. The amount of Purchase discounts earned	3. The Inventory value of parts and accessories returned to suppliers
4. The replacement value of accessories and optional equipment removed from new vehicles and placed in inventory	4. The Adjustment for the difference between book and physical count values
5. The Inventory value of parts and accessories returned by customers	5. The Inventory value of shop supplies sold and otherwise disposed of
6. The Adjustment for the difference between book and physical inventory count values	6. The Adjustment for period price decreases by the manufacturer
7. The Adjustment for periodic price increases by the manufacturer	

Example 1

Record the invoice from the manufacturer for a stock-order of \$15,320 and purchase allowances of \$1,265. The parts inventory value is \$16,585.

Journal: Purchase

Entry:		Debit	Credit
Account 242	Inventory – Parts & Accessories	\$16,585	
Account 300	Accounts Payable – Trade Creditors		\$15,320
Account 687	Purchase Allowances		\$1,265

Example 2

Record \$985 appreciation in parts value due to increase in parts pricing from manufacturer.

Journal: General Journal

Entry:		Debit	Credit
Account 242	Inventory – Parts & Accessories	\$985	
Account 688	Adjustments – Parts & Accessories Inventory		\$985

Example 3

Record the \$6,437 adjustment to bring book balance of Parts & Accessories Inventory up to physical inventory balance.

Journal: General Journal

Entry:		Debit	Credit
Account 242	Inventory – Parts & Accessories	\$6,437	
Account 688	Adjustments – Parts & Accessories Inventory		\$6,437

Comments

A Debit Balance represents the inventory value of automotive parts and accessories.

Note:

Sub-Accounts should be set up for GM Accessories, Parts Cores and Shop Supplies.

If other than new G.M. vehicles are sold by the dealership, a separate General Ledger Account should be established for the inventory of parts and accessories related to the other lines handled. This account should be combined with Account 242, Parts & Accessories when preparing the month-end trial balance.

A physical inventory of parts and accessories should be taken at least once a year. It should be priced at the lower of cost or market value. Any difference between book and physical count values should be adjusted through [Account 688, Adjustment – Parts and Accessories Inventory](#).

Physical inventories should be taken at each month end of the following:

- Tires
- Gas, Oil and Grease

- Paint and Body Shop Materials

These inventories should be priced at the lower of cost or market values. Any differences between book and physical count values should be adjusted through the following accounts, as applicable:

- [Acct. 690, Cost of Sales-Tires](#)
- [Acct. 691, Cost of Sales-Gas, Oil and Grease](#)
- [Acct. 669, Cost of Sales-Shop Supplies](#)
- [Acct. 679, Cost of Sales-Paint and Body Shop Materials](#)

A physical inventory of other merchandise should be taken at least once each year. It should be priced at the lower of cost or market value. Any difference between book and physical count values should be adjusted through [Acct. 692, Cost of Sales-Miscellaneous](#).

LAST-IN, FIRST-OUT (LIFO) INVENTORY VALUATION

Dealers who have elected to utilize the LIFO method for reporting other inventories should establish separate general ledger accounts captioned LIFO Reserve for each other inventory account affected by LIFO.

For example, the entries to establish the initial LIFO adjustment should be handled as follows:

	Parts and Accessories Inventory	Other Inventory
Actual inventory	\$170,000	\$50,000
LIFO inventory	\$135,000	\$42,000
LIFO adjustment	\$35,000	\$8,000
	DEBIT	CREDIT
ENTRY: Acct. 952 LIFO Adjustment	\$43,000	
Acct. 242L, Inventory-Parts & Accessories-LIFO Reserve		\$35,000
Acct. 252L, Inventory-Other-LIFO Reserve		\$8,000

Subsequent adjustments to each LIFO reserve account should be offset to [Account 952, LIFO Adjustment](#). LIFO adjustments must be recorded and displayed on Page 7, on the operating report.

The Total LIFO Reserve, Line 36, Page 7, will be transferred & displayed on Page 1, Line 35.

243 Tires

Assets

Inventories

Synopsis

Account 243 is established to record the inventory value of Tires on hand.

Debits	Credits
<ol style="list-style-type: none">1. The Cost of tires acquired, other than those purchased with new vehicles2. The replacement value of tires removed from new vehicles and placed in inventory3. The Adjustment for the difference between book and physical count values	<ol style="list-style-type: none">1. The Inventory value of tires sold and otherwise disposed of2. The Inventory value of tires returned to suppliers3. The Adjustment for the difference between book and physical count values

Example 1

Record the \$7,980 purchase of tires for inventory.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 243	Inventory – Tires	\$7,980	
Account 300	Accounts Payable – Trade Creditors		\$7,980

Example 2

Record the \$280 adjustment needed to agree book balance to physical count (physical count is less than book balance).

Journal: General Journal

Entry:		Debit	Credit
Account 690	Cost of Sales – Tires	\$280	
Account 243	Inventory – Tires		\$280

Example 3

Revised 1/6/2017

Record customer repair order for sale of mechanical labor and tires of \$442. The customer paid labor is \$85. The tire sale is \$340 with sales tax of \$17. The cost of labor is \$25 and the cost of sales for tires is \$285.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$442	
Account 660A	Cost of Sales – Customer Labor – Cars & Light Duty Trucks	\$25	
Account 690	Cost of Sales – Tires	\$285	
Account 243	Inventory – Tires		\$285
Account 247A	Inventory – Work in Process – Mechanical		\$25
Account 324	Sales Taxes Payable		\$17
Account 460A	Sales – Customer Labor – Cars & Light Duty Trucks		\$85
Account 490	Sales – Tires		\$340

Example 4

Record a \$179 credit memo issued to a retail customer for tires returned. The credit to tire sale is \$170 and credit to sales tax is \$9. The inventory value and cost of sales-tires is \$142.

Journal: Parts Sales

Entry:		Debit	Credit
Account 490	Sales – Tires	\$170	
Account 324	Sales Taxes Payable	\$9	
Account 243	Inventory – Tires	\$142	
Account 220B	Accounts Receivable – Customer – Service and Parts		\$179
Account 690	Cost of Sales – Tires		\$142

Comments

A debit balance represents the inventory value of tires.

Note:

Physical inventories should be taken at each month end of the following:

- Tires
- Gas, Oil and Grease

- Paint and Body Shop Materials

These inventories should be priced at the lower of cost or market values. Any differences between book and physical count values should be adjusted through the following accounts, as applicable:

- [Acct 690, Cost of Sales - Tires](#)
- [Acct 691, Cost of Sales - Gas, Oil and Grease](#)
- [Acct 679, Cost of Sales - Paint and Body Shop Materials](#)

A physical inventory of other merchandise should be taken at least once each year. It should be priced at the lower of cost or market value. Any difference between book and physical count values should be adjusted through [Acct 692, Cost of Sales - Miscellaneous](#).

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

LAST-IN, FIRST-OUT (LIFO) INVENTORY VALUATION

Dealers who have elected to utilize the LIFO method for reporting other inventories should establish separate general ledger accounts captioned LIFO Reserve for each other inventory account affected by LIFO.

For example, the entries to establish the initial LIFO adjustment should be handled as follows:

	Parts and Accessories Inventory	Other Inventory
Actual inventory	\$170,000	\$50,000
LIFO inventory	\$135,000	\$42,000
LIFO adjustment	\$35,000	\$8,000
	DEBIT	CREDIT
ENTRY: Acct. 952 LIFO Adjustment	\$43,000	
Acct. 242L, Inventory-Parts & Accessories-LIFO Reserve		\$35,000
Acct. 252L, Inventory-Other-LIFO Reserve		\$8,000

Subsequent adjustments to each LIFO reserve account should be offset to [Account 952, LIFO Adjustment](#). LIFO adjustments must be recorded and displayed on Page 7, on the operating report.

The Total LIFO Reserve, Line 36, Page 7, will be transferred & displayed on Page 1, Line 35.

244 Gas, Oil and Grease

Assets

Inventories

Synopsis

Account 244 is established to record the inventory value of Gas (fuel), Oil and Grease on hand.

Debits	Credits
1. The Cost of gasoline (fuel), oil, grease and similar materials (lubricants) purchased	1. The Inventory value of gasoline (fuel), oil, grease and similar materials (lubricants) sold
2. The Adjustment for the difference between book and physical count values	2. The Inventory value of gasoline (fuel), oil, grease and similar materials (lubricants) consumed internally
	3. The Adjustment for the difference between book and physical count values

Example 1

Record the \$3,885 purchase of oil for inventory.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 244	Inventory – Gas, Oil and Grease	\$3,885	
Account 300	Accounts Payable – Trade Creditors		\$3,885

Example 2

Record the \$75 adjustment for difference between the book balance and the physical count value (the physical count value is lower than the books).

Journal: General Journal

Entry:		Debit	Credit
Account 691	Cost of Sales – Gas, Oil and Grease	\$75	
Account 244	Inventory – Gas, Oil and Grease		\$75

Example 3

Record an over the counter sale of oil to a retail customer in the amount of \$13. The oil sale is \$12 and sales tax is \$1. The inventory value and cost of sale is \$7.

Journal: Parts Sales

Entry:		Debit	Credit
Account 225	Cash Sales	\$13	
Account 691	Cost of Sales – Gas, Oil and Grease	\$7	
Account 244	Inventory – Gas, Oil and Grease		\$7
Account 324	Sales Taxes Payable		\$1
Account 491	Sales – Gas, Oil and Grease		\$12

Comments

A debit balance represents the inventory value of gasoline (fuel), oil, grease and similar materials (lubricants).

Note:

If gasoline is not carried in stock for resale, purchases may be charged directly to the appropriate expense account. Bulk purchases may be charged to Account 244, Gas, Oil and Grease and internal consumption recorded as a direct relief of inventory by a charge to the appropriate expense account.

Physical inventories should be taken at each month end of the following:

- Tires
- Gas, Oil and Grease
- Paint and Body Shop Materials

These inventories should be priced at the lower of cost or market values. Any differences between book and physical count values should be adjusted through the following accounts, as applicable:

- [Acct 690, Cost of Sales - Tires](#)
- [Acct 691, Cost of Sales - Gas, Oil and Grease](#)
- [Acct 679, Cost of Sales - Paint and Body Shop Materials](#)

A physical inventory of other merchandise should be taken at least once each year. It should be priced at the lower of cost or market value. Any difference between book and physical count values should be adjusted through [Acct 692, Cost of Sales - Miscellaneous](#).

LAST-IN, FIRST-OUT (LIFO) INVENTORY VALUATION

Dealers who have elected to utilize the LIFO method for reporting other inventories should establish separate general ledger accounts captioned LIFO Reserve for each other inventory account affected by LIFO.

For example, the entries to establish the initial LIFO adjustment should be handled as follows:

	Parts and Accessories Inventory	Other Inventory
Actual inventory	\$170,000	\$50,000
LIFO inventory	\$135,000	\$42,000
LIFO adjustment	\$35,000	\$8,000
	DEBIT	CREDIT
ENTRY: Acct. 952 LIFO Adjustment	\$43,000	
Acct. 242L, Inventory-Parts & Accessories-LIFO Reserve		\$35,000
Acct. 252L, Inventory-Other-LIFO Reserve		\$8,000

Subsequent adjustments to each LIFO reserve account should be offset to [Account 952, LIFO Adjustment](#). LIFO adjustments must be recorded and displayed on Page 7, on the operating report.

The Total LIFO Reserve, Line 36, Page 7, will be transferred & displayed on Page 1, Line 35.

245 Paint and Body Shop Materials

Assets

Inventories

Synopsis

Account 245 is established to record the inventory value of Paint and Body Shop Materials on hand.

Debits	Credits
1. The Cost of paint and body shop materials purchased	1. The Inventory value of paint and body shop materials sold
2. The Adjustment for the difference between book and physical count values	2. The Adjustment for the difference between book and physical count values

Example 1

Record the \$1,860 purchase of paint for body shop.

Journal: Purchase

Entry:		Debit	Credit
Account 245	Inventory – Paint & Body Shop Materials	\$1,860	
Account 300	Accounts Payable – Trade Creditors		\$1,860

Example 2

Record a customer cash sale of \$3,740 for body shop labor, parts and materials. The body labor sale is \$740 and the paint labor sale is \$595. The parts sale is \$1,975. The cost of paint & body shop materials is \$315 and sales tax is \$115. The cost of labor sales is \$795 with \$350 due for paint labor and \$445 for body shop labor. The parts cost is \$1380. The cost of body shop materials is \$235.

Journal: Body Shop Sales

Entry:		Debit	Credit
Account 225	Cash Sales	\$3,740	
Account 670	Cost of Sales – Customer Paint Labor – Cars & Trucks	\$350	
Account 671	Cost of Sales – Customer Body Labor	\$445	

	- Cars & Trucks		
Account 677	Cost of Sales – Parts – Body Customer Repair Orders – Cars & Trucks	\$1,380	
Account 679	Cost of Sales – Paint & Body Shop Materials	\$235	
Account 470	Sales – Customer Paint Labor – Cars & Trucks		\$595
Account 471	Sales – Customer Body Labor – Cars & Trucks		\$740
Account 477	Sales – Parts – Body Customer Repair Orders – Cars & Trucks		\$1,975
Account 479	Sales – Paint & Body Shop Materials		\$315
Account 242	Inventory – Parts & Accessories		\$1,380
Account 245	Inventory – Paint & Body Shop Materials		\$235
Account 247B	Inventory – Work in Process – Body Shop		\$795
Account 324	Sales Taxes – Payable		\$115

Example 3

Record the \$350 adjustment for difference in the book value of the Paint & Body Shop Materials inventory versus the physical inventory value at month-end.

Journal: General Journal

Entry:		Debit	Credit
Account 679	Cost of Sales – Paint & Body Shop Materials	\$350	
Account 245	Inventory – Paint & Body Shop Materials		\$350

Comments

A debit balance represents the inventory value of paint and body shop materials, including trim materials.

Note:

Physical inventories should be taken at each month end of the following:

- Tires
- Gas, Oil and Grease

- Paint and Body Shop Materials

These inventories should be priced at the lower of cost or market values. Any differences between book and physical count values should be adjusted through the following accounts, as applicable:

- [Acct 690, Cost of Sales - Tires](#)
- [Acct 691, Cost of Sales - Gas, Oil and Grease](#)
- [Acct 679, Cost of Sales - Paint and Body Shop Materials](#)

A physical inventory of other merchandise should be taken at least once each year. It should be priced at the lower of cost or market value. Any difference between book and physical count values should be adjusted through [Acct 692, Cost of Sales - Miscellaneous](#).

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

LAST-IN, FIRST-OUT (LIFO) INVENTORY VALUATION

Dealers who have elected to utilize the LIFO method for reporting other inventories should establish separate general ledger accounts captioned LIFO Reserve for each other inventory account affected by LIFO.

For example, the entries to establish the initial LIFO adjustment should be handled as follows:

	Parts and Accessories Inventory	Other Inventory
Actual inventory	\$170,000	\$50,000
LIFO inventory	\$135,000	\$42,000
LIFO adjustment	\$35,000	\$8,000
	DEBIT	CREDIT
ENTRY: Acct. 952 LIFO Adjustment	\$43,000	
Acct. 242L, Inventory-Parts & Accessories-LIFO Reserve		\$35,000
Acct. 252L, Inventory-Other-LIFO Reserve		\$8,000

Subsequent adjustments to each LIFO reserve account should be offset to [Account 952, LIFO Adjustment](#). LIFO adjustments must be recorded and displayed on Page 7, on the operating report.

The Total LIFO Reserve, Line 36, Page 7, will be transferred & displayed on Page 1, Line 35.

Revised 1/6/2017

246 Sublet Repairs

Assets

Inventories

Synopsis

Account 246 is established to record the inventory value of Sublet Repairs, which have been completed, but not yet sold to customers.

Debits	Credits
1. The Cost of sublet repairs purchased	1. The Cost of sublet repairs sold

Example 1

Record the \$450 cost of sublet work purchased on a service customer's vehicle.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 246	Inventory – Sublet Repairs	\$450	
Account 202	Cash in Bank		\$450

Example 2

Record the cash sale of the above sublet repairs to the service customer in the amount of \$525. The sublet repair sale is \$500 and sales tax is \$25. The cost of sale for sublet repairs is \$450.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$525	
Account 666	Cost of Sales – Sublet Repairs	\$450	
Account 466	Sales – Sublet Repairs		\$500
Account 246	Inventory – Sublet Repairs		\$450
Account 324	Sales Taxes Payable		\$25

Comments

A debit balance represents the cost of sublet repairs unsold. Sublet repair is defined as service work assigned to outside garages, specialty shops, and other automotive jobbers.

Note:

A month-end schedule should be prepared showing the cost of each unsold sublet repair. Any difference between the total of this schedule and the account balance should be determined and corrected. It is suggested that a memo detail list of sublet repair purchases be maintained as an aid in costing sublet repair sales and in preparing the month-end schedule. Each purchase should be identified with the related repair order number.

247 Work In Process - Labor

Assets

Inventories

Synopsis

Account 247 is established to record the amount of Work In Process, which is defined as the compensation of Mechanical and Body Shop technicians, but not yet sold to customers.

Debits	Credits
<ol style="list-style-type: none"> 1. The total agreed-upon compensation, including incentive pay, of mechanical and body shop technicians and their helpers. This includes those employed in reconditioning used vehicles and in preparing new vehicles for delivery 2. The amount of an employee's compensation applicable to productive service work if the individual functions as a service manager or foreman and as a technician 3. The compensation of employees not classified as technicians for any portion of their time, which is devoted to productive service work 	<ol style="list-style-type: none"> 1. The compensation of mechanical and body shop technicians for any portion of their time which is devoted to non-productive work 2. The Cost of labor on completed repair orders 3. The monthly adjustment to agree with the schedule of cost of labor on mechanical repair orders in process 4. The monthly adjustments to agree with the schedule of cost of labor on body shop repair orders in process

Example 1

Record a mechanical shop technician's compensation of \$1,722, including holiday and vacation pay and Employer contribution of \$122.

Journal: Payroll

Entry:		Debit	Credit
Account 247A	Inventory – Work in Process – Mechanical	\$800	
Account 024-05	Absentee Compensation – Mechanical	\$800	
Account 025-05	Taxes – Payroll – Mechanical	\$122	

	Department		
Account 321	Salaries, Wages & Commissions Payable		\$1,178
Account 323	Payroll Taxes Payable		\$544

Example 2

Record a customer cash sale of \$310 for mechanical repairs on a service customer's vehicle. The customer mechanical labor sale is \$170, the sale of shop supplies is \$5, and the sale of parts mechanical repair orders is \$120. The cost of customer mechanical labor sales is \$50. The cost of shop supplies is \$4 and the cost of mechanical parts is \$85.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$310	
Account 660A	Cost of Sales – Customer Labor – Cars & Light Duty Trucks	\$50	
Account 669	Cost of Sales – Shop Supplies	\$4	
Account 667	Cost of Sales – Parts – Mechanical Repair Orders Cars & Light Duty Trucks	\$85	
Account 460A	Sales – Customer Labor – Cars & Light Duty Trucks		\$170
Account 469	Sales – Shop Supplies		\$5
Account 467	Sales – Parts – Mechanical Repair Orders Cars & Light Duty Trucks		\$120
Account 247A	Inventory – Work in Process – Mechanical		\$50
Account 242	Inventory – Parts & Accessories		\$85
Account 242	Inventory – Parts & Accessories		\$4
Account 324	Sales Taxes Payable		\$15

Example 3

Record the \$675 monthly adjustment to agree with the schedule of the cost of labor sales on mechanical repair order in process.

Journal: General Journal

Entry:		Debit	Credit
Account 665	Adjustment – Cost of Labor Sales – Mechanical	\$675	
Account 247A	Inventory – Work in Process – Mechanical		\$675

Comments

A debit balance represents the cost of labor on repair orders in process.

Note:

1. This compensation SHOULD NOT include absentee compensation such as holiday, vacation, sick leave and pay while attending training schools.
2. Separate general ledger accounts should be established for the cost of mechanical and body shop labor on repair orders in process.
3. Month-end Open Repair Orders should be reconciled to the General Ledger Work in Process inventory values for Mechanical and Body Shop.
4. Sub-accounts should be created to separate Work in Process between Mechanical and Body Shop technicians. Also, if non-productive personnel (i.e. Service Advisors, Managers, Porters) perform "Labor", then a separate sub-account is advisable

252 Other (Inventory)

Assets

Inventories

Synopsis

Account 252 is established to record the inventory value of Other merchandise on hand.

Debits	Credits
<ol style="list-style-type: none"> 1. The Cost of other merchandise acquired 2. The replacement value of parts, accessories and optional equipment removed from new other automotive items and placed in inventory 3. The Adjustment for the difference between book and physical count values 	<ol style="list-style-type: none"> 1. The Inventory value of other merchandise sold and otherwise disposed of 2. The Adjustments for the difference between book and physical count values

Example 1

Record the purchase of a farm implement in the amount of \$1,475.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 252	Other Inventory	\$1,475	
Account 300	Accounts Payable – Trade Creditors		\$1,475

Example 2

Record the cash sale of the above farm implement in the amount of \$2,125 with sales tax of \$105.

Journal: Parts Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$2,230	
Account 692	Cost of Sales – Parts – Miscellaneous	\$1,475	
Account 492	Sales – Parts – Miscellaneous		\$2,125
Account 252	Other Inventory		\$1,475

Account 324	Sales Taxes Payable		\$105
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Comments

A debit balance represents the inventory value if regularly stocked merchandise intended for resale that is not otherwise provided for. This should include both new and used items such as:

- a. Appliances
- b. Farm implements
- c. Hardware
- d. Motors
- e. Parts, accessories and optional equipment for items in [Account 238, Other Automotive](#) (inventory)

Note:

A detail of these items should be made in this account or in a suitable subsidiary record.

258 Miscellaneous Assets Received in Trade (Inventory)

Assets

Inventories

Synopsis

Account 258 is established to record the inventory value of merchandise taken in trade on the sale of vehicles, which cannot be properly recorded in any other inventory account.

Debits	Credits
1. The lower of appraised or allowance values of miscellaneous assets received in trade which are not regularly stocked for resale	1. The Inventory value of miscellaneous assets NOT intended for immediate resale 2. The Inventory value of miscellaneous assets sold and otherwise disposed of

Example 1

Record a used car sold at retail for cash in the amount of \$11,000, with sales tax of \$550 and Registration fees of \$125. A motorcycle with an ACV of \$1,500 is received in trade. \$10,175 accounts receivable. The cost of sales is \$9,453 with reconditioning cost of \$453.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 220A	Accounts Receivables – Customers – Vehicles	\$10,175	
Account 258	Inventory – Miscellaneous Assets Received in Trade	\$1,500	
Account 646B	Cost of Sales – Used Cars Retail – Other	\$9,000	
Account 647B	Reconditioning – Other Used Cars	\$453	
Account 446B	Sales – Used Cars Retail – Other		\$11,000
Account 240	Inventory – Used Cars		\$9,453
Account 324A	Sales Taxes Payable – Excise Taxes		\$550
Account 905	Other Income (Registration Fees)		\$125

Example 2

Record the sale of the miscellaneous asset that was taken in trade on the above example in the amount of \$1,500.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$1,500	
Account 258	Inventory – Miscellaneous Assets Received in Trade		\$1,500

Comments

A debit balance represents the inventory value of miscellaneous assets received in trade on vehicle sales, which are intended for resale. This should include such items as:

- a. Jewelry
- b. Real Estate
- c. Stocks

Note:

1. A detail of these items should be made in this account or in a suitable subsidiary record.
2. Gains or losses on disposition of these items should be recorded in [Account 905, Other Income](#) or [Account 955, Other Deductions](#), as applicable.

260 Securities

Assets

Cash & Contracts

Synopsis

Account 260 is established to record the value of financial investments in stock and bonds owned by the dealership.

Debits	Credits
1. The Cost of readily marketable securities acquired which are intended to be temporary investments	1. The book value of securities intended to be retained as long-term investments 2. The writedown to market value 3. The book value of securities sold and otherwise disposed of

Example 1

Record the purchase \$15,000 of stock in a publicly traded company intended as a temporary investment.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 260	Securities	\$15,000	
Account 202	Cash in Bank		\$15,000

Example 2

Record the sale of the above securities for \$16,000.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 202	Cash in Bank	\$16,000	
Account 260	Securities		\$15,000
Account 905	Other Income		\$1,000

Example 3

Record the \$1,500 write-down of the securities held for temporary investment to market value.

Journal: General Journal

Entry:		Debit	Credit
Account 955	Other Deductions	\$1,500	
Account 260	Securities		\$1,500

Comments

A debit balance represents the book value of stocks, bonds and other securities of a readily marketable nature, which are intended to be temporary investments.

Note:

A detail of these securities should be made in this account or in a suitable subsidiary record.

Gains or losses on disposition of these items should be recorded in [Account 905, Other Income](#) or [Account 955, Other Deductions](#), as applicable.

261 Factory Receivables

Assets

Receivables

Synopsis

Account 261 is established to record the amount of receivables owed by the manufacturer to the dealership.

Debits	Credits
<ol style="list-style-type: none">1. The amount New vehicle holdback due on vehicles purchased from the factory2. The amount of Factory incentives and reimbursements due3. The New vehicle inspection labor and fuel fill claims due4. Co-op advertising due on vehicles purchased from the factory5. The amount of reimbursement due under the Standards For Excellence (SFE) / Pinnacle programs6. The amount of reimbursement due from GM for vehicles purchased under the Marketing Stimulus Payment (MSP) program	<ol style="list-style-type: none">1. The amount of credits received from the factory

Example 1

Record the \$1,400 holdback and \$467 co-op advertising due from the manufacturer and advertising expense of \$233 leaving the inventory value \$40,150 truck. The note payable is \$42,250.

Journal: New Truck Purchases

Entry:		Debit	Credit
Account 237	Inventory – New Trucks	\$40,150	
Account 261	Factory Receivables – Holdback	\$1,400	
Account 261	Factory Receivables – Co-op	\$467	

	Advertising		
Account 065-01	Advertising Expense – New Cars	\$233	
Account 310	Notes Payable – New Vehicle & Demos		\$42,250

Example 2

Record the \$1,400 holdback payment from the manufacturer.

Journal: New Truck Purchases

Entry:		Debit	Credit
Account 300	Accounts Payable – Trade Creditors	\$1,400	
Account 261	Factory Receivables – Reimbursements		\$1,400

Example 3

Record the estimated reimbursement for the amount of \$25,000 due under the Standards For Excellence (SFE) / Pinnacle programs.

Journal: General Journal

Entry:		Debit	Credit
Account 261	Factory Receivables – Reimbursements	\$25,000	
Account 909	GM Reimbursements		\$25,000

Example 4

Record amount due for vehicles purchased included the Marketing Stimulus Payment (MSP) program. Example based on month end factory summary of \$8,584.

Journal: Purchase Journal

Entry:		Debit	Credit
Account 261	Factory Receivables – Reimbursements	\$8,584	
Account 909	GM Reimbursements		\$8,584

Comments

A debit balance represents amounts due from the factory for:

- a. New vehicle holdback
- b. Incentives and reimbursements
- c. Co-op advertising

- d. New vehicle inspection labor claims
- e. Fuel fill claims
- f. MSP funds due

Note:

The month-end balance of new vehicle holdback due should be reconciled with the manufacturer's statement. Any difference should be determined and corrected.

Sub-accounts should be created for each Factory Receivable category such as Holdback, Incentives, New Vehicle Inspection & Fuel, Advertising refunds.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

262 Due From Finance Companies

Assets

Receivables

Synopsis

Account 262 is established to record the amount of monies Due From Finance Companies for the sale of retail finance contracts. As a matter of policy some finance institutions withhold a percentage of funds due to the dealership as a reserve to offset the Chargebacks that are likely to occur in the future.

Debits	Credits
<ol style="list-style-type: none"> The amount of finance income due on customer notes discounted with finance institutions The main balance held by finance institutions on customer notes discounted 	<ol style="list-style-type: none"> The amount of payments received from financial institutions The monthly adjustments to this account

Example 1

Record a vehicle sale for the amount of \$17,500 with a finance contract reserve of \$450, sales tax of \$875, Registration Fees of \$125. The customer receivable is \$1,375. The inventory value of the vehicle is \$16,000.

Journal: New Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$17,125	
Account 220A	Accounts Receivable – Customers – Vehicles	\$1,375	
Account 262	Due from Finance Companies	\$450	
Account 600-618	Cost of Sales – New Cars – Retail	\$16,000	
Account 400-418	Sales – New Cars – Retail		\$17,500
Account 231	Inventory – New Cars		\$16,000
Account 324A	Sales Taxes Payable – Excise Taxes		\$875
Account 806	Finance Income – New		\$450
Account 905	Other Income (Registration Fees)		\$125

Example 2

Record the \$450 receipt of the finance income received from the finance company for the above contract.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$450	
Account 262	Due from Finance Companies		\$450

Example 3

Record the receipt of \$375 from the finance income received from the finance company for the above contract; however, the amount set up was \$75 less than received.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$375	
Account 806	Finance Income – New	\$75	
Account 262	Due from Finance Companies		\$450

Comments

A debit balance represents unpaid finance income due to the dealership (the finance income is usually indicated on the check to the dealer and in the notice of acceptance).

Note:

The month-end balance should be reconciled with monthly finance institution statements. Any difference should be determined and corrected.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

263 Warranty Claims

Assets

Receivables

Synopsis

Account 263 is established to record the amount of Warranty and Transportation Claims that are due to the dealership from the manufacturer.

Debits	Credits
1. The amount of Warranty claims due from the factory	1. The amount of Credits received from the factory
2. The amount of Transportation claims due from the factory	2. Invalid claims rejected by the factory
3. The amount of Adjustment for the difference between the month-end schedule and the account balance	3. The Adjustment for the difference between the month-end schedule and the account balance

Example 1

Record a \$755 warranty repair order for a customer's car. The warranty claim labor sale is \$170 and the warranty claim parts sale is \$585. The warranty claim cost of labor is \$50 and the warranty claim cost for parts is \$450.

Journal: Warranty Sales

Entry:		Debit	Credit
Account 263	Receivables – Warranty Claims	\$755	
Account 662	Cost of Sales – Warranty Claim Labor – Mechanical	\$50	
Account 680	Cost of Sales – Warranty Claims – Parts & Accessories	\$450	
Account 242	Inventory – Parts & Accessories		\$450
Account 247A	Inventory – Work in Process – Mechanical		\$50
Account 462	Sales – Warranty Claim Labor – Mechanical		\$170
Account 480	Sales – Warranty Claims – Parts & Accessories		\$585

Example 2

Record the \$720 payment from the manufacturer for the above warranty claim. The amount paid has been adjusted by \$35 for a reduction in the parts payment.

Journal: Purchase

Entry:		Debit	Credit
Account 300	Accounts Payable – Trade Creditors	\$720	
Account 480	Sales – Warranty Claims – Parts & Accessories	\$35	
Account 263	Receivables – Warranty Claims		\$755

Example 3

Record the \$755 write-off of the above warranty claim for not being submitted timely.

Journal: General Journal

Entry:		Debit	Credit
Account 067-05	Policy Work Expense – Service	\$170	
Account 067-07	Policy Work Expense – Parts & Accessories	\$585	
Account 263	Receivables – Warranty Claims		\$755

Comments

A debit balance represents unpaid warranty and transportation claims due from the factory.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

264 Insurance Commissions Receivable

Assets

Receivables

Synopsis

Account 264 is established to record the amount of Insurance Commissions owed to the dealership from various Insurance Companies for policies sold to customers.

Debits	Credits
1. The Insurance commissions due from insurance companies	1. The payments received from insurance companies 2. The monthly adjustments necessary to reconcile this account

Example 1

Record \$495 insurance commissions earned for the month of which \$250 is earned for new and \$245 is earned for used. These commissions had not been previously accrued.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 264	Insurance Commissions Receivable	\$495	
Account 807	Insurance Commissions Earned – New		\$250
Account 809	Insurance Commissions Earned – Used		\$245

Example 2

Record the \$495 payment from the insurance company for the above commissions earned.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$450	
Account 807	Insurance Commissions Earned – New	\$25	
Account 809	Insurance Commissions Earned – Used	\$20	

Account 264	Insurance Commissions Receivable		\$495
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Comments

A debit balance represents unpaid insurance commissions due from insurance companies.

Note:

The month-end balance should be reconciled with the periodic insurance company statements. Any difference should be determined and corrected.

270 Prepaid Taxes

Assets

Prepaid Expenses

Synopsis

Account 270 is established to record the amount of Taxes that have been paid in advance.

Debits	Credits
1. The amount of taxes paid in advance	1. The expired portion of taxes paid

Example 1

Record the \$45,750 payment of real estate taxes.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 270	Prepaid Taxes	\$45,750	
Account 202	Cash in Bank		\$45,750

Example 2

Record the monthly expense of \$3,813 for the real estate taxes paid in advance.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 084-01	Taxes – Real Estate – New Vehicle Department	\$1,335	
Account 084-02	Taxes – Real Estate – Used Vehicle Department	\$763	
Account 084-03	Taxes – Real Estate – Lease & Rental Department	\$75	
Account 084-05	Taxes – Real Estate – Mechanical Department	\$763	
Account 084-06	Taxes – Real Estate – Body Shop Department	\$267	
Account 084-07	Taxes – Real Estate – Parts & Accessories Department	\$419	

Account 084-09	Taxes – Real Estate – General & Administrative	\$191	
Account 270	Prepaid Taxes		\$3,813

Comments

A debit balance represents the unexpired portion of taxes paid in advance, such as:

- a. Real Estate taxes
- b. Personal property taxes

The total amount of the Tax Payment should be pro-rated over the number of months for which the Tax is assessed. The pro-rated monthly provision of the Tax should be written off each month by crediting this account with the monthly provision and debiting [Account 084, Taxes – Real Estate](#), [Account 089, Taxes - Other](#), or whichever applies.

Note:

Professional tax and accounting advice should be obtained regarding the proper handling of tax payments.

271 Prepaid Insurance

Assets

Prepaid Expenses

Synopsis

Account 271 is established to record the amount of Insurance premiums, which are paid to cover a term that provides coverage in the future.

Debits	Credits
1. The amount of insurance premiums paid in advance	1. The expired portion of insurance premiums paid
2. The advance deposit premiums which are subject to future determination of earned premiums	2. The advance deposit premiums applied in settlement of earned premiums

Example 1

Record the payment of the commercial property, garage keeper's and workers compensation insurance premiums in the amount of \$18,000.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 271	Prepaid Insurance	\$18,000	
Account 202	Cash in Bank		\$18,000

Example 2

Record the monthly expense for the commercial property and garage keeper's insurance that had been paid in advance in the amount of \$8,250.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 085-01	Insurance – Buildings & Improvements – New Vehicle Department	\$225	
Account 085-02	Insurance – Buildings & Improvements – Used Vehicle Department	\$188	
Account 085-03	Insurance – Buildings & Improvements – Lease & Rental Department	\$88	
Account 085-05	Insurance – Buildings & Improvements	\$225	

	– Mechanical Department		
Account 085-06	Insurance – Buildings & Improvements – Body Shop Department	\$187	
Account 085-07	Insurance – Buildings & Improvements – Parts & Accessories Department	\$175	
Account 085-09	Insurance – Buildings & Improvements – General & Administrative	\$162	
Account 088-01	Insurance – Other – New Vehicle Department	\$1,470	
Account 088-02	Insurance – Other – Used Vehicle Department	\$1,050	
Account 088-03	Insurance – Other – Lease & Rental Department	\$140	
Account 088-05	Insurance – Other – Mechanical Department	\$1,330	
Account 088-06	Insurance – Other – Body Shop Department	\$700	
Account 088-07	Insurance – Other – Parts & Accessories Department	\$1,260	
Account 088-09	Insurance – Other – General & Administrative	\$1,050	
Account 271	Prepaid Insurance		\$8,250

Example 3

Record the monthly expense of workers' compensation insurance that was paid in advance in the amount of \$5,500.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 027-01	Employee Benefits – New Vehicle Department	\$1,430	
Account 027-02	Employee Benefits – Used Vehicle Department	\$605	
Account 027-03	Employee Benefits – Lease & Rental Department	\$165	
Account 027-05	Employee Benefits – Mechanical Department	\$1,375	
Account 027-06	Employee Benefits – Body Shop Department	\$825	
Account 027-07	Employee Benefits – Parts & Accessories Department	\$715	
Account 027-09	Employee Benefits – General & Administrative	\$385	
Account 271	Prepaid Insurance		\$5,500

Comments

A debit balance represents the unexpired portion of insurance premiums paid in advance, such as:

- a. Building Insurance
- b. Garage Liability Insurance

274 Prepaid Other

Assets

Prepaid Expenses

Synopsis

Account 274 is established to record the amount of payments for Other goods and services that are paid in advance.

Debits	Credits
1. The amount of other expenses of the business paid in advance	1. The expired portion of other expenses

Example 1

Record the payment of next month's rent in advance in the amount of \$25,000.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 274	Prepaid Expenses – Other	\$25,000	
Account 202	Cash in Bank		\$25,000

Example 2

Record the payment of a maintenance contract on the copier machine in the amount of \$4,200.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 274	Prepaid Expenses – Other	\$4,200	
Account 202	Cash in Bank		\$4,200

Example 3

Record the monthly expense of the maintenance contract on the copier machine in the amount of \$350.

Journal: Standard Journal

Entry:		Debit	Credit
Account 090-09	Repairs – Equipment – General &	\$350	

	Administrative		
Account 274	Prepaid Expenses - Other		\$350

Comments

A debit balance represents the unexpired portion of other expenses of the business paid in advance, such as:

- a. Advertising
- b. Rent
- c. Maintenance Agreements

Note:

Sub-accounts should be created for each category recorded in this account. Prepayments for Advertising such as annual "Yellow Page" costs, long-term billboards, etc. should be classified together. Separate sub-accounts for Prepaid Rent and Maintenance Agreements are recommended.

275 Driver Training Vehicles

Assets

Working

Synopsis

Account 275 is established to record the value of vehicles, which are loaned to a qualified Driver Training Schools.

Debits	Credits
<ol style="list-style-type: none">1. The factory invoice amount, less holdback and other non-related items such as supplemental advertising funds, of new vehicles placed in driver training service2. The Internal selling price of dealer-installed accessories and optional equipment and the labor and materials required for installation3. The Destination, delivery and handling charges	<ol style="list-style-type: none">1. The amount of factory credits applied to vehicles placed in driver training service2. The Cost of vehicles transferred to used vehicle inventories when taken out of service

Example 1

Record the transfer of a new vehicle at cost to driver training service in the amount of \$16,000.

Journal: General Journal

Entry:		Debit	Credit
Account 275	Driver Training Vehicles	\$16,000	
Account 621	Cost of Sales - New Cars - Internal	\$16,000	
Account 231	Inventory – New Cars		\$16,000
Account 421	Sales - New Cars - Internal		\$16,000

Example 2

Record the accrual for the factory allowance on driver training vehicles in the amount of \$400.

Journal: General Journal

Entry:		Debit	Credit
Account 261	Factory Receivables	\$400	
Account 275	Driver Training Vehicles		\$400

Example 3

Record the transfer of a driver-training vehicle available for sale to the used car inventory in the amount of \$11,500.

Journal: General Journal

Entry:		Debit	Credit
Account 240	Inventory – Used Cars	\$11,500	
Account 275	Driver Training Vehicles		\$11,500

Comments

A debit balance represents the cost of vehicles temporarily registered in the Driver Training Program.

277 Lease and Rental (CTA Short Term/CTP) Vehicles

Assets

Working

Synopsis

Account 277 is established to record the value of Lease and Rental vehicles that are placed in service in a dealership owned leasing and/or daily rental operation.

Debits	Credits
1. The Internal selling price of units placed in lease and rental service recorded as depreciable assets	1. The amount of factory credits applied to vehicles placed in lease and rental service
2. The Cost of units purchased from other dealers and placed in lease and rental service recorded as depreciable assets	2. The book value of units transferred to used vehicle inventories when taken out of service
3. The Internal selling price of dealer-installed special equipment, modifications, etc., and the labor and materials required for installation	3. The book value of units sold and otherwise disposed of

Example 1

Record the \$22,200 sale or transfer of a new vehicle from inventory to lease & rental service. The inventory value is \$22,000.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 277	Lease & Rental Vehicles	\$22,200	
Account 621	Cost of Sales – New Cars – Internal	\$22,000	
Account 231	Inventory – New Cars		\$22,000
Account 421	Sales – New Cars – Internal		\$22,200

Example 1A

If state and/or local tax regulations require payment of sales or excise taxes on internal sales, then the following example applies.

Journal: New Vehicle Sales

Entry:		Debit	Credit

Account 277	Lease & Rental Vehicles	\$22,200	
Account 621	Cost of Sales – New Cars – Internal	\$22,000	
Account 714	Direct Cost – License, Title & Tax	\$600	
Account 231	Inventory – New Cars		\$22,000
Account 421	Sales – New Cars – Internal		\$22,200
Account 324A	Sales Taxes Payable – Excise Taxes		\$600

Example 2

Record the accrual for the CTP/CTA factory allowance on Lease & Rental Vehicles in the amount of \$1000.

Journal: General Journal

Entry:		Debit	Credit
Account 261	Factory Receivables	\$1000	
Account 277	Lease & Rental Vehicles		\$1000

Example 3

Record the \$22,200 transfer of a lease unit to used car inventory at the appraised wholesale value. Accumulated depreciation is \$8,800 and the amortization cost is \$400. The inventory value of the Lease & Rental unit transferred to the used car inventory is \$13,000.

Journal: General Journal

Entry:		Debit	Credit
Account 240	Inventory – Used Cars	\$13,000	
Account 347	Accumulated Depreciation Lease & Rental Units	\$8,800	
Account 712	Direct Cost – Amortization	\$400	
Account 277	Lease & Rental Vehicles		\$22,200

Example 4

Record the \$15,200 sale of a lease unit at the end of the lease. The cost of sale for the disposed vehicle is \$15,200 and the accumulated depreciation is \$8,800.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash in Bank	\$15,200	
Account 347	Accumulated Depreciation Lease & Rental Units	\$8,800	
Account 710	Cost of Sales of Disposed Vehicles	\$13,400	
Account 277	Lease & Rental Vehicles		\$22,200
Account 510	Selling Price of Disposed Vehicle		\$15,200

Comments

A debit balance represents the book value of lease and rental units. Only dealerships, which have leasing or rental departments operating within the dealership, use this account. As lessor, the dealership is underwriting the lease to the end user. No financial institution is involved in the transaction. Professional tax, accounting and legal advice should be obtained regarding the handling, accounting and management of the dealership owned leasing operation.

Note:

1. When removed from service (and not sold by the Lease and Rental Department), Lease and Rental units should be transferred to [Account 240, Used Cars](#) (inventory) or [Account 241, Used Trucks](#) (inventory) as applicable, prior to their sales as used vehicles. Such units should be transferred at appraised wholesale value. Any differences between the book and appraised wholesale values should be recorded in [Account 712, Amortization \(Closed End Lease\)](#), [Account 722, Amortization \(Open End Lease\)](#), or [Account 732, Amortization \(Rental\)](#) as applicable.

2. If more than just a nominal number of lease and rental units are in service, a separate general ledger account should be established for the writedown and captioned [Account 347, Accumulated Depreciation - Lease and Rental Units](#) . This account should be combined with the related asset account when preparing the trial balance. Lease and Rental accumulated depreciation should be shown as a memo on page 1 line 43 of the Operating Report.

3. Professional tax and accounting advice should be obtained in regard to state and local requirements regarding sales and excise taxes that may be applicable to internal sales.

280 Land - Auto Business Only

Assets

Fixed

Synopsis

Account 280 is established to record the acquisition price of Land purchased by the dealership and used in the automobile business.

Debits	Credits
1. The Cost of land acquired	1. The Cost of land sold and otherwise disposed of

Example 1

Record the \$1,500,000 purchase of land that will be used to build a new dealership.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 280	Land (Auto Business Only)	\$1,500,000	
Account 202	Cash in Bank		\$1,500,000

Comments

A debit balance represents the cost of land purchased by the dealership.

281 Building and Improvements - Auto Business Only

Assets
Fixed

Synopsis

Account 281 is established to record the acquisition cost of Building and Improvements purchased by the dealership and used in the automobile business.

Debits	Credits
1. The Cost of building and improvements acquired	1. The Cost of building and improvements sold and otherwise disposed of

Example 1

Record the \$4,267,000 cost of construction of the new dealership building.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 281	Buildings & Improvements (Auto Business Only)	\$4,267,000	
Account 202	Cash in Bank		\$4,267,000

Example 2

Record the cost of \$5,814 for write-off of landscaping that was destroyed by a snowstorm and \$12,550 in Other Deductions. The dealership owns the building & improvements for the amount of \$18,364.

Journal: General Journal

Entry:		Debit	Credit
Account 351	Accumulated Depreciation – Buildings & Improvements	\$5,814	
Account 955	Other Deductions	\$12,550	
Account 281	Buildings & Improvements (Auto Business Only)		\$18,364

Comments

Revised 1/6/2017

A debit balance represents the cost of buildings and improvements situated on land owned by the dealership.

Note:

ONLY ASSETS USED IN THE OPERATION OF THE DEALERSHIP BUSINESS SHOULD BE INCLUDED IN THESE ACCOUNTS.

Cost of assets should include additional items such as:

1. Expenses incidental to securing title
2. Installation and construction costs, including interest during construction
3. Accessories and optional equipment
4. Freight
5. Sales Tax

282 Machinery and Shop Equipment

Assets

Fixed

Synopsis

Account 282 is established to record the acquisition cost of Machinery and Shop Equipment purchased by the dealership and used in the automobile business.

Debits	Credits
1. The Cost of machinery and shop equipment acquired	1. The Cost of machinery and shop equipment sold and otherwise disposed of
2. The Cost of machinery and shop equipment built	

Example 1

Record the purchase of a tire machine in the amount of \$8,750.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 282	Machinery & Shop Equipment	\$8,750	
Account 202	Cash in Bank		\$8,750

Example 2

Record the disposal of obsolete diagnostic equipment in the amount of \$5,000. The accumulated depreciation of the Machinery is \$3,438 and the amount of Other Deductions is \$1,562.

Journal: General Journal

Entry:		Debit	Credit
Account 352	Accumulated Depreciation – Machinery & Shop Equipment	\$3,438	
Account 955	Other Deductions	\$1,562	
Account 282	Machinery & Shop Equipment		\$5,000

Comments

A debit balance represents the cost of machinery, permanent tools and equipment acquired and built for the use in the service department. This includes items of a moveable nature, not a permanent part of the building such as:

- a. Benches
- b. Cabinets
- c. Hoists
- d. Overhead racks
- e. Tool racks
- f. Jacks
- g. Diagnostic equipment

Note:

ONLY ASSETS USED IN THE OPERATION OF THE DEALERSHIP BUSINESS SHOULD BE INCLUDED IN THESE ACCOUNTS.

Cost of assets should include additional items such as:

1. Expenses incidental to securing title
2. Installation and construction costs, including interest during construction
3. Accessories and optional equipment
4. Freight
5. Sales Tax

283 Parts and Accessories Equipment

Assets

Fixed

Synopsis

Account 283 is established to record the acquisition cost of Parts & Accessories Equipment purchased by the dealership and used in the automobile business.

Debits	Credits
1. The Cost of Parts and Accessories equipment acquired	1. The Cost of Parts and Accessories equipment sold and otherwise disposed of
2. The Cost of Parts and Accessories equipment built	

Example 1

Record the purchase of a display case in the amount of \$800.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 283	Parts & Accessories Equipment	\$800	
Account 300	Accounts Payable – Trade Creditors		\$800

Example 2

Record the sale of parts bins no longer used in the amount of \$350. The Accumulated Depreciation for the parts bins is \$3,750.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$350	
Account 353	Accumulated Depreciation – Parts & Accessories Equipment	\$3,750	
Account 283	Parts & Accessories Equipment		\$3,750
Account 905	Other Income		\$350

Comments

A debit balance represents the cost of equipment acquired and built for use in the parts and accessories department. This includes items of a movable nature, not a permanent part of the building, such as:

- a. Cabinets
- b. Containers
- c. Counters
- d. Parts bins
- e. Shelves
- f. Showcases

Note:

ONLY ASSETS USED IN THE OPERATION OF THE DEALERSHIP BUSINESS SHOULD BE INCLUDED IN THESE ACCOUNTS.

Cost of assets should include additional items such as:

- 1. Expenses incidental to securing title
- 2. Installation and construction costs, including interest during construction
- 3. Accessories and optional equipment
- 4. Freight
- 5. Sales Tax

284 Furniture and Fixtures

Assets

Fixed

Synopsis

Account 284 is established to record the acquisition cost of Furniture and Fixtures purchased by the dealership and used in the automobile business.

Debits	Credits
1. The Cost of furniture and fixtures acquired	1. The Cost of furniture and fixtures sold and otherwise disposed of
2. The Cost of furniture and fixtures built	

Example 1

Record the purchase of a telephone system in the amount of \$160,000. A deposit of \$15,000 was given at the time the contract for the new telephone system was signed.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 284	Furniture & Fixtures	\$175,000	
Account 202	Cash in Bank		\$160,000
Account 296	Other Investments & Miscellaneous Assets		\$15,000

Example 2

Record the sale of the old telephone system for the amount of \$10,000. Accumulated Depreciation is \$100,000.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$10,000	
Account 354	Accumulated Depreciation – Furniture & Fixtures	\$100,000	
Account 284	Furniture & Fixtures		\$100,000
Account 905	Other Income		\$10,000

Example 3

Record the trade-in of an old copier machine (original cost \$5,000) with a book value of \$500 for a new copier that sells for \$10,000. An allowance of \$750 was received for the old copier. The cost of the new copier is recorded on the books as \$10,000 for the original cost less the difference of the allowance given for the old copier versus the book value ($\$750 - \$500 = \$250$), or \$9,750 ($\$10,000 - \250).

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 354	Accumulated Depreciation – Furniture & Fixtures	\$4,500	
Account 284	Furniture & Fixtures	\$9,750	
Account 284	Furniture & Fixtures		\$5,000
Account 202	Cash in Bank		\$9,250

Comments

A debit balance represents the cost of furniture and fixtures acquired and built for use in the business, such as:

- a. Chairs
- b. Desks
- c. File cabinets
- d. Moveable partitions
- e. Office machines
- f. Rugs
- g. Safes
- h. Signs
- i. Tables
- j. Telephone equipment

Note:

ONLY ASSETS USED IN THE OPERATION OF THE DEALERSHIP BUSINESS SHOULD BE INCLUDED IN THESE ACCOUNTS.

Cost of assets should include additional items such as:

1. Expenses incidental to securing title
2. Installation and construction costs, including interest during construction
3. Accessories and optional equipment
4. Freight
5. Sales Tax

285 Company Vehicles

Assets
Fixed

Synopsis

Account 285 is established to record the inventory value of vehicle placed in Company Vehicle service.

Debits	Credits
1. The Internal selling price of vehicles placed in permanent company service	1. The Cost of company vehicles sold and otherwise disposed of
2. The Internal selling price of dealer-installed special equipment, modifications, etc., and the labor and materials required for installation	2. The Cost of vehicles transferred to used vehicle inventories when taken out of service
3. The Cost of vehicles acquired from other dealers for permanent company service	3. The amount of factory credits applied to vehicles placed in Company Vehicle service

Example 1

Record the \$30,200 sale of a van from inventory to Company Vehicle service to use as a courtesy van for the Mechanical department. The inventory value of the van is \$30,000.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 285	Company Vehicles	\$30,200	
Account 641	Cost of Sales – New Trucks – Internal	\$30,000	
Account 237	Inventory – New Trucks		\$30,000
Account 441	Sales – New Trucks – Internal		\$30,200

Example 1A

If state and/or local tax regulations require payment of sales or excise taxes on internal sales, then the following example applies.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 285	Company Vehicles	\$30,200	
Account 641	Cost of Sales – New Trucks – Internal	\$30,000	
Account 051-05	Company Vehicle Expense (Mechanical)	\$1,500	
Account 237	Inventory – New Trucks		\$30,000
Account 441	Sales – New Trucks – Internal		\$30,200
Account 324A	Sales Taxes Payable – Excise Taxes		\$1,500

Example 1B

Record the accrual for the CTA/CTP factory allowance on dealer company vehicles used as loaners in the amount of \$2500.

Journal: General Journal

Entry:		Debit	Credit
Account 261	Factory Receivables	\$2500	
Account 285	Company Vehicles		\$2500

Example 2

Record the transfer of the courtesy van to used truck inventory in the amount of \$5,500. The Accumulated Depreciation is \$24,700.

Journal: General Journal

Entry:		Debit	Credit
Account 241	Inventory – Used Trucks	\$5,500	
Account 355	Accumulated Depreciation – Company Vehicles	\$24,700	
Account 285	Company Vehicles		\$30,200

Comments

A debit balance represents the cost of vehicles set aside for permanent company use, including items such as:

- a. Antique vehicles
- b. Courtesy vehicles
- c. Delivery vehicles
- d. Motorcycles
- e. Parts trucks
- f. Parts vans
- g. Tow trucks

Note:

Company vehicles should be transferred to [Account 240, Used Cars](#) (inventory) or [Account 241, Used Trucks](#) (inventory) as applicable, prior to their sales as used vehicles. Such vehicles should be transferred at the lower of book or appraised wholesale value. Charge any excess to [Account 091, Depreciation - Equipment](#).

Professional tax and accounting advice should be obtained in regard to state and local requirements regarding sales and excise taxes that may be applicable to internal sales.

ONLY ASSETS USED IN THE OPERATION OF THE DEALERSHIP BUSINESS SHOULD BE INCLUDED IN THESE ACCOUNTS.

Cost of assets should include additional items such as:

1. Expenses incidental to securing title
2. Installation and construction costs, including interest during construction
3. Accessories and optional equipment
4. Freight
5. Sales Tax

286 Leaseholds

Assets
Fixed

Synopsis

Account 286 is established to record the purchase price of Leasehold Improvements on property leased by the dealership and used in the automobile business.

Debits	Credits
<ol style="list-style-type: none">1. The Cost of leaseholds and of buildings situated on leased land2. The Cost of improvements to leasehold and to building situated on leased land. This includes entirely new buildings, permanent improvements to existing buildings, paving, etc.	<ol style="list-style-type: none">1. The Cost of leaseholds and buildings and improvements sold and otherwise disposed of

Example 1

Record the cost of landscaping in the amount of \$15,000.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 286	Leasehold Improvements	\$15,000	
Account 202	Cash in Bank		\$15,000

Example 2

Record the cost of constructing a new office for the sales manager on leased property in the amount of \$7,500.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 286	Leasehold Improvements	\$7,500	
Account 300	Accounts Payable – Trade Creditors		\$7,500

Comments

Revised 1/6/2017

A debit balance represents the cost of leaseholds, buildings situated on leased land and improvements to leaseholds and buildings.

287 Information Technology - Hardware

Assets

Fixed

Synopsis

Account 287 is established to record the acquisition cost of Information Technology computer hardware purchased by the dealership and used in the automobile business.

Debits	Credits
1. The Cost of IT Hardware	1. The cost of IT Hardware when sold or otherwise disposed

Example 1

Record the purchase of personal computers for the accounting office in the amount of \$4,500.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 287	IT – Hardware	\$4,500	
Account 300	Accounts Payable – Trade Creditors		\$4,500

Comments

A debit balance represents the initial cost of IT Hardware including shipping costs and sales tax.

IT Hardware is any piece of computer equipment - whether it's a laptop, desktop, computer monitor, mouse, keyboard, printer, etc.

Note:

ONLY ASSETS USED IN THE OPERATION OF THE DEALERSHIP BUSINESS SHOULD BE INCLUDED IN THESE ACCOUNTS.

Cost of assets should include additional items such as:

1. Expenses incidental to securing title
2. Installation and construction costs, including interest during construction
3. Accessories and optional equipment
4. Freight
5. Sales Tax

288 Information Technology - Software

Assets

Fixed

Synopsis

Account 288 is established to record the acquisition price or license cost of Information Technology computer Software purchased by the dealership and used in the automobile business.

Debits	Credits
1. The Cost to acquire or license IT Software	1. The final value of IT Software when removed from service or otherwise disposed

Example 1

Record the purchase of antivirus software for all of the personal computers at the dealership in the amount of \$3,300.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 288	IT – Software	\$3,300	
Account 300	Accounts Payable – Trade Creditors		\$3,300

Comments

IT Software is typically acquired under a license from the Software supplier. The acquisition cost is capitalized as a Fixed Asset while it used on a computer owned or operated by the dealership. This applies to Software used on personal computers as well as larger network systems connecting various departments within the entire dealership.

Note:

ONLY ASSETS USED IN THE OPERATION OF THE DEALERSHIP BUSINESS SHOULD BE INCLUDED IN THESE ACCOUNTS.

Cost of assets should include additional items such as:

Revised 1/6/2017

1. Expenses incidental to securing title
2. Installation and construction costs, including interest during construction
3. Accessories and optional equipment
4. Freight
5. Sales Tax

289 Fixed Assets - Other

Assets Fixed

Synopsis

Account 289 is established to record the acquisition costs of Other Fixed Assets purchased by the dealership and which cannot properly be recorded in any other account.

It is also used to collect the cost of fixed assets purchased but not yet placed into service as well as the cost of construction in process. Once assets are put into service, the total cost of the assets should be put into the normal account classifications and depreciation should commence.

Debits	Credits
<ol style="list-style-type: none">1. The cost of Other Fixed Assets2. The cost of fixed assets purchased but not yet placed into service3. Construction costs accumulated for building and leasehold improvements not yet completed	<ol style="list-style-type: none">1. The cost of Other Fixed Assets when sold or otherwise disposed2. The cost of fixed assets accumulated in this account but now being placed into service3. The cost of building and leasehold improvements accumulated in this account but now placed into service

Example 1

Record the purchase of mobile office to be used as temporary used vehicle sales office.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 289	Other Fixed Assets	\$16,942	
Account 202	Cash in Bank		\$16,942

Example 2

Move the cost of construction in process and fixed assets purchased but not yet put into service to the permanent accounts. (Construction completed and fixed assets placed into service).

Journal: General Journal

Entry:		Debit	Credit
Account 286	Leaseholds	\$128,589	
Account 284	Furniture & Fixtures	\$63,128	
Account 289	Other Fixed Assets		\$191,717

Note:

ONLY ASSETS USED IN THE OPERATION OF THE DEALERSHIP BUSINESS SHOULD BE INCLUDED IN THESE ACCOUNTS.

Cost of assets should include additional items such as:

1. Expenses incidental to securing title
2. Installation and construction costs, including interest during construction
3. Accessories and optional equipment
4. Freight
5. Sales Tax

291 Life Insurance - Cash Value

Assets
Other

Synopsis

Account 291 is established to record the value of the Cash Surrender Value of Life Insurance purchased by the dealership and for which the dealership is the beneficiary.

Debits	Credits
1. Periodic increase in the cash surrender value of policies	1. The Cash surrender values of policies terminated 2. Decreases to the cash surrender value when used to pay premiums

Example 1

Record the annual increase in the cash surrender value of the life insurance policy owned by the dealership in the amount of \$635.

Journal: General Journal

Entry:		Debit	Credit
Account 291	Life Insurance – Cash Value	\$635	
Account 905	Other Income		\$635

Example 2

Record the proceeds from a life insurance policy, which the dealership is the owner and beneficiary, in the amount of \$75,000, that includes \$10,000 of other income.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$75,000	
Account 291	Life Insurance – Cash Value		\$65,000
Account 905	Other Income		\$10,000

Comments

A debit balance represents the cash surrender values of life insurance policies owned by the dealership and for which the dealership is the beneficiary.

293 Notes and Accounts Receivable - Officers

Assets
Other

Synopsis

Account 293 is established to record the amounts owed to the dealership by Officers and / or stockholders.

Debits	Credits
1. Notes and accounts due from active and inactive officers and from stockholders	1. Payments received from officers and stockholders

Example 1

Record a loan to an officer of the company in the amount of \$10,000.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 293	Notes and Accounts Receivable – Officers	\$10,000	
Account 202	Cash in Bank		\$10,000

Example 2

Record the \$11,000 receipt of cash in repayment of the above loan by an officer of the company that includes \$1,000 for interest.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$11,000	
Account 293	Notes and Accounts Receivable - Officers		\$10,000
Account 905	Other Income		\$1,000

Comments

A debit balance represents notes and accounts due from active and inactive officers and from stockholders.

Revised 1/6/2017

Note:

1. This account is for use by corporations only.
2. A detail of these items should be made in this account or in a suitable subsidiary record.

294 Notes and Accounts Receivable - Other

Assets
Other

Synopsis

Account 294 is established to record the amounts owed to the dealership by Other parties such as employees, subsidiaries, affiliated companies and third parties who are not customers.

Debits	Credits
1. The amounts due from employees, subsidiary and affiliated enterprises and outsiders	1. The amount of payments received from employees, subsidiary and affiliated enterprises and outsiders 2. Notes and accounts considered uncollectible

Example 1

Record a loan to an affiliated entity in the amount of \$100,000.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 294	Notes and Accounts Receivable – Other	\$100,000	
Account 202	Cash in Bank		\$100,000

Example 2

Record a loan to an employee in the amount of \$1,000.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 294	Notes and Accounts Receivable – Other	\$1,000	
Account 202	Cash in Bank		\$1,000

Example 3

Record the \$2,000 salary paid to parts manager of which \$400 is payroll taxes, and record a \$150 payroll deduction for the above loan.

Journal: Payroll

Entry:		Debit	Credit
Account 021-07	Salaries – Supervision – Parts & Accessories	\$2,000	
Account 321	Salaries, Wages and Commissions Payable		\$1,450
Account 323	Payroll Taxes Payable		\$400
Account 294	Notes and Accounts Receivable – Other		\$150

Comments

A debit balance represents receivables for which no provision has been made, such as:

- a. Notes, accounts, loans and advances due from all employees, excluding current balances due for merchandise which should be included with customer notes and accounts receivable
- b. Loans and advances to subsidiary and affiliated enterprises, including amounts due for merchandise when extended terms have been granted
- c. Loans and advances to outsiders

Note:

A detail of these items should be made in this account or in a suitable subsidiary record.

296 Other Investments and Miscellaneous Assets

Assets Other

Synopsis

Account 296 is established to record the amount of Other Investments and Miscellaneous Assets owned by the dealership.

Debits	Credits
1. The Cost of securities acquired which are intended to be retained as long-term investments (stocks and bonds) 2. The Cost of securities acquired which are not of a readily marketable nature (stocks and bonds) 3. The Cost of real estate not used in the operation of the business 4. The Cost of club memberships 5. The Cost of miscellaneous assets not intended for resale 6. The Cost of investments in subsidiary and affiliated enterprises 7. The Adjustments for net profits of subsidiary and affiliated enterprises whose net equity is recorded in this account 8. The Cost of investments in purchasing cooperatives 9. The amount of organization expense if capitalized 10. Deposits on contracts as a guarantee of performance 11. The amount of items of expense paid in advance relative to these assets 12. The Cost of other assets acquired	1. The monthly provision for depreciation 2. The expired portion of items of expenses paid 3. The Writedown of securities to market value 4. Deposits returned 5. The book value of assets sold and otherwise disposed of 6. The Adjustments for net losses of subsidiary and affiliated enterprises whose net equity is recorded in this account

13. Goodwill	
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Example 1

Record the investment in a new subsidiary in the amount of \$2,000,000.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 296	Other Investments & Miscellaneous Assets	\$2,000,000	
Account 202	Cash in Bank		\$2,000,000

Example 2

Record the reclassification of the \$15,000 deposit on a new telephone system to the purchase price of \$175,000.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 284	Furniture & Fixtures	\$175,000	
Account 202	Cash in Bank		\$160,000
Account 296	Other Investments & Miscellaneous Assets		\$15,000

Comments

A debit balance represents the book value of assets not used in the business and not otherwise provided for.

Note:

1. Cost of assets should include additional items such as:
 - a. Expenses incidental to securing title
 - b. Installation and construction costs
 - c. Freight
 - d. Sales Tax

2. A detail of these assets should be made in this account or in a suitable subsidiary record.

3. Income and expenses relating to these assets should be recorded in [Account 905, Other Income](#) or [Account 955, Other Deductions](#), as applicable.

4. Sub-accounts should be created to record each investment or asset separately. This should be done to facilitate administrative control over the items that are included in this account. Professional tax and accounting advice should be obtained regarding the depreciation, write-down or liquidation value of these assets.

Liabilities

300 Accounts Payable – Trade Creditors

Liabilities

Accounts Payable

Synopsis

Account 300 is established to record the amounts payable to suppliers and vendors.

Debits	Credits
1. The amount of cash discounts taken	1. Purchases on open account
2. Payments made on open account	2. Liens due on used vehicles
3. Payments made on used and repossessed vehicles acquired	3. Balances due on repossessed vehicles
4. Purchases returned to suppliers	4. Payments collected from customers for transmittal to others
5. The amount of credit memos received from vendors or suppliers	
6. Payments transmitted to others for customers	

Example 1

Record the purchase of a stock-order from the manufacturer \$16,585 of which \$1,265 is a Purchase Allowance.

Journal: Purchase

Entry:		Debit	Credit
Account 242	Inventory – Parts & Accessories	\$16,585	
Account 300	Accounts Payable – Trade Creditors		\$15,320
Account 687	Purchase Allowances		\$1,265

Example 2

Record the net payment of a vendor's statement in the amount of \$15,475. The cash discount earned is \$310, which allows a 2% cash discount, if paid within 10 days.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 300	Accounts Payable – Trade Creditors	\$15,475	
Account 202	Cash in Bank		\$15,165
Account 903	Cash Discounts Earned		\$310

Example 3

Record the \$17,571 sale of a new vehicle with \$523 Due from Finance Companies, \$879 Sales tax and \$125 Registration Fees. There is a \$6,853 lien payoff on the trade with an inventory value of \$10,000 on the used car. The inventory value of the new sold vehicle is \$16,721.

Journal: New Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$15,428	
Account 240	Inventory – Used Cars	\$10,000	
Account 262	Due from Finance Companies	\$523	
Account 600-618	Cost of Sales – New Cars – Retail	\$16,721	
Account 400-418	Sales – New Cars - Retail		\$17,571
Account 231	Inventory – New Cars		\$16,721
Account 300L	Accounts Payable – Lien Payoffs		\$6,853
Account 324A	Sales Taxes Payable – Excise Taxes		\$879
Account 806	Finance Income – New		\$523
Account 905	Other Income (Registration Fees)		\$125

Comments

A credit balance represents the net balance due trade creditors.

Amounts owed to vendors through an established open account are credited to this account. Payments tendered to vendors are debited. An accounts payable subsidiary ledger should be established for each vendor. A purchase order system should be utilized so that all purchases are authorized by management and payments are matched to the amount authorized. Each vendor's account should be reviewed at the end of the month and discrepancies should be resolved immediately.

Debit balances should be shown as Accounts Payable Debit Balances in the Receivables section on page 7, Line 58.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-

accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

305 Warranty Claims Advance

Liabilities

Accounts Payable

Synopsis

Account 305 is established to record the amount of credit given to the dealership from the manufacturer to compensate for the time that it takes to processes warranty claims.

Debits	Credits
1. Reduction of the advance	1. Initial advance received 2. Increase of the advance

Example 1

Record the initial advance on unpaid warranty claims in the amount of \$25,000.

Journal: Purchase

Entry:		Debit	Credit
Account 300	Accounts Payable – Trade Creditors	\$25,000	
Account 305	Warranty Claims Advance		\$25,000

Example 2

Record the decrease in the warranty claims advance in the amount of \$3,367.

Journal: Purchase

Entry:		Debit	Credit
Account 305	Warranty Claims Advance	\$3,367	
Account 300	Accounts Payable – Trade Creditors		\$3,367

Comments

A credit balance represents the amount advanced by the manufacturer for unpaid warranty claims.

310 Notes Payable – New Vehicles and Demonstrators

Liabilities

Notes Payable

Synopsis

Account 310 is established to record the amounts paid or payable to financial institutions for New Vehicle inventory financed on a short term line of credit. This line of credit is secured by the vehicles themselves and is commonly referred to as the “floorplan”.

Debits	Credits
1. Payments made 2. Amount due on vehicles placed in the Driver Training Program and in permanent company service 3. Amount due on vehicles sold to other departments	1. Notes payable on new vehicles and demonstrators

Example 1

Record the purchase of a truck from the manufacturer in the amount of \$40,150, with \$1,400 in Holdback, \$467 in Co-op Advertising and \$233 Advertising expense.

Journal: New Truck Purchases

Entry:		Debit	Credit
Account 237	Inventory – New Trucks	\$40,150	
Account 261	Factory Receivables – Holdback	\$1,400	
Account 261	Factory Receivables – Co-op Advertising	\$467	
Account 065-01	Advertising Expense – New Cars	\$233	
Account 310	Notes Payable – New Vehicle & Demos		\$42,250

Example 2

Record the payoff of the floorplan on the above truck in the amount of \$42,250.

Journal: Payoff and Cash Disbursements

Entry:		Debit	Credit
Account 310	Notes Payable – New Vehicle & Demos	\$42,250	
Account 202	Cash in Bank		\$42,250

Comments

A credit balance represents the amounts owed to finance institutions on notes secured by new vehicles and demonstrators in inventory and new vehicles sold for which delayed payments have been authorized.

311 Notes Payable – Used Vehicles

Liabilities

Notes Payable

Synopsis

Account 311 is established to record the amounts paid or payable to financial institutions for Used Vehicle inventory financed on a short term line of credit. This line of credit is secured by the vehicles themselves and is commonly referred to as the “floorplan”.

Debits	Credits
1. The amount of payments made	1. Notes payable on used vehicles

Example 1

Record a purchase of a used vehicle from auto auction in the amount of \$14,795 and the car is added to the used car floorplan. The purchase price includes an auction fee of \$295.

Journal: Used Car Purchase

Entry:		Debit	Credit
Account 240	Inventory – Used Cars	\$14,795	
Account 311	Notes Payable – Used Vehicles		\$14,795

Example 2

Record the monthly curtailment of the above note payable required by the financial institution in the amount of \$296.

Journal: Payoff and Cash Disbursements

Entry:		Debit	Credit
Account 311	Notes Payable – Used Vehicles	\$296	
Account 202	Cash in Bank		\$296

Example 3

Record the payoff of the above vehicle in the amount of \$14,499 (after there has been a curtailment).

Journal: Payoff and Cash Disbursements

Entry:		Debit	Credit
Account 311	Notes Payable – Used Vehicles	\$14,499	
Account 202	Cash in Bank		\$14,499

Comments

A credit balance represents the amount owed to finance institutions on notes secured by used vehicles.

312 Notes Payable – Lease and Rental Units

Liabilities

Notes Payable

Synopsis

Account 312 is established to record the amounts paid or payable to financial institutions for Lease and Rental Units inventory financed on a short term line of credit. This line of credit is secured by the vehicles themselves and is commonly referred to as the “floorplan”.

Debits	Credits
1. Prepaid interest 2. Payments made	1. Notes payable on lease and rental units 2. Expired portion of prepaid interest

Example 1

Record the \$22,000 transfer of vehicle into daily rental service. The financial institution is transferring the \$22,000 floorplan from the new vehicle floorplan to the lease and rental floorplan.

Journal: General Journal

Entry:		Debit	Credit
Account 277	Lease and Rental Vehicles	\$22,000	
Account 310	Notes Payable – New Vehicles & Demos	\$22,000	
Account 231	Inventory – New Cars		\$22,000
Account 312	Notes Payable – Lease & Rental Units		\$22,000

Example 2

Record a \$20,000 lien on a lease and rental unit with the interest of \$3,260 considered to be prepaid.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$16,740	
Account 312A	Notes Payable – Lease & Rental Units – Prepaid Interest	\$3,260	

Account 312	Notes Payable – Lease & Rental Units	\$20,000
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Example 3

Record the monthly payment of the above loan in the amount of \$556.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 312	Notes Payable – Lease & Rental Units	\$556	
Account 202	Cash in Bank		\$556

Example 4

Record the monthly amortization of the prepaid interest in the amount of \$91.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 711	Direct Cost – Interest – Close End Lease	\$91	
Account 312A	Notes Payable – Lease & Rental Units – Prepaid Interest		\$91

Comments

A credit balance represents the amounts owed to financial institutions on notes secured by lease and rental units.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

314 Notes Payable – Other

Liabilities

Notes Payable

Synopsis

Account 314 is established to record amounts owed on short term loans. Notes payable on Company Vehicles, Driver Training Units or other short term notes payable are to be placed in this account. This account is also used to reclassify the short term portions of long term obligations (principal payments due in the next 12 months).

Debits	Credits
1. Principal payments on loans	1. Notes payable on driver training vehicles 2. Notes payable on permanent company vehicles 3. Other notes payable due within 12 months from the current operating report date 4. Current portion of long term notes payable, including mortgages (principal payments due within next 12 months)

Example 1

Record exchange of the floorplan on unit designated to be a permanent company for a note payable.

Journal: General Journal

Entry:		Debit	Credit
Account 310	Notes Payable - New Vehicles and Demonstrators	\$25,492	
Account 314	Notes Payable – Other		\$25,492

Example 2

Payment of monthly payment on company vehicle loan.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 79*	Interest - Notes Payable (Other)	\$131	
Account 314	Notes Payable - Other	\$662	
Account 202	Cash In Bank		\$793

Example 3

Periodic adjustment of short term portion of Notes Payable - Capital Loans based on loan amortization schedule.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 334	Notes Payable - Capital Loans	\$1,456	
Account 314	Notes Payable - Other		\$1,456

Note:

* = Interest should be allowed across departments based on methods described in Distribution of Expenses section of this manual.

Comments

A credit balance represents the liability on the note.

Amortization schedules should be maintained to allocate the principal and interest payments for notes with blended periodic payments due.

320 Interest Payable

Liabilities Accrued

Synopsis

Account 320 is established to record amounts of Interest payable or accrued on loans held by the dealership.

Debits	Credits
1. Payments made	1. Monthly portion of interest on interest-bearing obligations

Example 1

Record the accrual of floorplan interest for the current month in the amount of \$9,183 of which \$6,837 is for new vehicle floorplan interest and \$2,346 is for used vehicle floorplan interest.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 076-01	Interest Floorplan – New Vehicles Department	\$6,837	
Account 076-02	Interest Floorplan – Used Vehicles Department	\$2,346	
Account 320	Interest Payable		\$9,183

Example 2

Record the accrual of interest on the real estate mortgage for the current month in the amount of \$22,500.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 086-01	Interest – Mortgages – New Vehicles Department	\$4,725	
Account 086-02	Interest – Mortgages – Used Vehicles Department	\$3,375	
Account 086-03	Interest – Mortgages – Lease & Rental Department	\$450	

Account 086-05	Interest – Mortgages – Mechanical Department	\$4,275	
Account 086-06	Interest – Mortgages – Body Shop Department	\$2,250	
Account 086-07	Interest – Mortgages – Parts & Accessories Department	\$4,050	
Account 086-09	Interest – Mortgages – General & Administrative	\$3,375	
Account 320	Interest Payable		\$22,500

Example 3

Record the monthly mortgage payment that is due for the month in the amount of \$38,051 of which \$22,500 is interest due.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 335	Mortgages Payable – Real Estate	\$15,551	
Account 320	Interest Payable	\$22,500	
Account 202	Cash in Bank		\$38,051

Comments

A credit balance represents unpaid interest which has accumulated on all interest-bearing obligations.

321 Salaries, Wages and Commissions Payable

*Liabilities
Accrued*

Synopsis

Account 321 is established to record amounts payable to or accrued for employees in the form of Salaries, Wages and Commissions.

Debits	Credits
1. Net compensation paid	1. Compensation earned by employees including absentee pay

Example 1

Record the accrual for payroll for the last three days of the month that will not be paid until the following month \$18,180.

Journal: Payroll Journal

Entry:		Debit	Credit
Account 021-01	Salaries – Supervision – New Vehicles Department	\$600	
Account 021-02	Salaries – Supervision – Used Vehicles Department	\$400	
Account 021-03	Salaries – Supervision – Lease & Rental Department	\$400	
Account 021-05	Salaries – Supervision – Mechanical Department	\$900	
Account 021-06	Salaries – Supervision – Body Shop Department	\$500	
Account 021-07	Salaries – Supervision – Parts & Accessories Department	\$750	
Account 021-09	Salaries – Supervision – General Administrative	\$950	
Account 022-01	Salaries – Clerical – New Vehicles Department	\$865	
Account 022-02	Salaries – Clerical – Used Vehicles Department	\$425	
Account 022-03	Salaries – Clerical – Lease & Rental Department	\$300	

Account 022-05	Salaries – Clerical – Mechanical Department	\$825	
Account 022-06	Salaries – Clerical – Body Shop Department	\$250	
Account 022-07	Salaries – Clerical – Parts & Accessories Department	\$240	
Account 022-09	Salaries – Clerical – General Administrative	\$1,250	
Account 023-01	Salaries – Other – New Vehicles Department	\$450	
Account 023-02	Salaries – Other – Used Vehicles Department	\$250	
Account 023-03	Salaries – Other – Lease & Rental Department	\$225	
Account 023-05	Salaries – Other – Mechanical Department	\$2,000	
Account 023-06	Salaries – Other – Body Shop Department	\$600	
Account 023-07	Salaries – Other – Parts & Accessories Department	\$1,200	
Account 023-09	Salaries – Other – General Administrative	\$250	
Account 247A	Inventory – Work in Process – Mechanical	\$3,000	
Account 247B	Inventory – Work in Process – Body Shop	\$1,500	
Account 321	Salaries, Wages & Commissions Payable		\$18,130

Example 2

Record the accrual of salespersons commissions at month-end in the amount of \$75,000 of which \$48,000 is new vehicle commission and \$27,000 is used vehicle commission.

Journal: Payroll and General Journal

Entry:		Debit	Credit
Account 011-01	Vehicle Salespeople Compensation & Other – New Vehicles Department	\$48,000	
Account 011-02	Vehicle Salespeople Compensation & Other – Used Vehicles Department	\$27,000	
Account 321	Salaries, Wages & Commissions Payable		\$75,000

Comments

A credit balance represents unpaid salaries, wages and commissions earned by employees.

322 Insurance Payable

Liabilities Accrued

Synopsis

Account 322 is established to record the amount of Insurance premiums payable or accrued to cover policies held by the dealership.

Debits	Credits
1. Payments made 2. Advance deposits applied in settlement of earned premiums	1. Insurance premiums due or accrued

Example 1

Record the accrual of insurance premium expenses for the month in the amount of \$8,250.

Journal: General Journal

Entry:		Debit	Credit
Account 085-01	Insurance – Buildings & Improvements – New Vehicle Department	\$225	
Account 085-02	Insurance – Buildings & Improvements – Used Vehicle Department	\$188	
Account 085-03	Insurance – Buildings & Improvements – Lease & Rental Department	\$88	
Account 085-05	Insurance – Buildings & Improvements – Mechanical Department	\$225	
Account 085-06	Insurance – Buildings & Improvements – Body Shop Department	\$187	
Account 085-07	Insurance – Buildings & Improvements – Parts & Accessories Department	\$175	
Account 085-09	Insurance – Buildings & Improvements – General & Administrative	\$162	
Account 088-01	Insurance – Insurance Other – New Vehicle Department	\$1,470	
Account 088-02	Insurance – Insurance Other – Used Vehicle Department	\$1,050	

Account 088-03	Insurance – Insurance Other – Lease & Rental Department	\$140	
Account 088-05	Insurance – Insurance Other – Mechanical Department	\$1,330	
Account 088-06	Insurance – Insurance Other – Body Shop Department	\$700	
Account 088-07	Insurance – Insurance Other – Parts & Accessories Department	\$1,260	
Account 088-09	Insurance – Insurance Other – General & Administrative	\$1,050	
Account 322	Insurance Payable		\$8,250

Example 2

Record the payment of the above insurance premiums in the amount of \$8,250.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 322	Insurance Payable	\$8,250	
Account 202	Cash in Bank		\$8,250

Comments

A credit balance represents insurance premiums which have not been paid or applied against advance deposits.

323 Payroll Taxes Payable

*Liabilities
Accrued*

Synopsis

Account 323 is established to record the amount of Payroll Taxes payable or accrued.

Debits	Credits
1. Payments made	1. Employees' taxes withheld 2. Employer's taxes on payrolls

Example 1

Record the payment of the salary, wages & commission payroll in the amount of \$199,000 of which \$56,170 is payroll taxes and \$14,400 is retirement benefits.

Journal: Payroll

Entry:		Debit	Credit
Account 321	Salaries, Wages & Commissions Payable	\$180,000	
Account 025-01	Taxes – Payroll – New Vehicles Department	\$5,090	
Account 025-02	Taxes – Payroll – Used Vehicles Department	\$3,095	
Account 025-04	Taxes – Payroll – Finance & Insurance Department	\$1,830	
Account 025-05	Taxes – Payroll – Mechanical Department	\$3,450	
Account 025-06	Taxes – Payroll – Body Shop Department	\$385	
Account 025-07	Taxes – Payroll – Parts & Accessories Department	\$1,550	
Account 029-01	Retirement Benefits – New Vehicles Department	\$1,200	
Account 029-02	Retirement Benefits – Used Vehicles Department	\$600	
Account 029-04	Retirement Benefits – Finance & Insurance Department	\$400	

Account 029-05	Retirement Benefits – Mechanical Department	\$900	
Account 029-06	Retirement Benefits – Body Shop Department	\$100	
Account 029-07	Retirement Benefits – Parts & Accessories Department	\$400	
Account 202	Cash in Bank		\$128,430
Account 323	Payroll Taxes Payable		\$56,170
Account 330	Retirement Benefits Payable		\$14,400

Example 2

Record the payment of the payroll taxes in the amount of \$56,170.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 323	Payroll Taxes Payable	\$56,170	
Account 202	Cash in Bank		\$56,170

Comments

A credit balance represents unpaid payroll taxes.

324 Sales Tax Payable

*Liabilities
Accrued*

Synopsis

Account 324 is established to record the amount of Sales Tax payable or accrued.

Debits	Credits
1. Net payments made	1. Sales tax collected
2. Revenue for collecting sales taxes	2. Use taxes payable

Example 1

Record the use tax of \$375 on the purchase of furniture from out of state in the amount of \$7,875.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 284	Furniture & Fixtures	\$7,875	
Account 202	Cash in Bank		\$7,500
Account 324	Sales Taxes Payable		\$375

Example 2

Record a customer cash sale of \$618 on a repair order for mechanical labor and parts. The customer labor sale is \$340 and the parts sale is \$250. The sales tax is \$13 and the shop supplies are \$15. The cost of labor is \$100 and cost of the parts is \$80.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$618	
Account 660A	Cost of Sales – Customer Labor – Cars & Light Duty Trucks	\$100	
Account 667	Cost of Sales – Parts Mechanical Repair Orders & Light Duty Trucks	\$80	
Account 242	Inventory – Parts & Accessories		\$80
Account 247A	Inventory – Work in Process – Mechanical		\$100

Account 324	Sales Taxes Payable		\$13
Account 460A	Sales – Customer Labor – Cars & Light Duty Trucks		\$340
Account 467	Sales – Parts Mechanical Repair Orders & Light Duty Trucks		\$250
Account 61-05	Other Supplies		\$15

Example 3

Record the payment of \$19,365 for sales taxes collected for the month.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 324	Sales Taxes Payable	\$19,365	
Account 202	Cash in Bank		\$19,171
Account 905	Other Income		\$194

Comments

A credit balance represents unpaid sales and use taxes.

Note:

If applicable, federal excise tax and luxury tax can be handled through separate general ledger sub-accounts, 324A Sales Tax Payable - Excise Taxes and 324B Sales Tax Payable - Luxury Taxes. At month-end, these sub-accounts should be combined and shown with Account 324, Sales Taxes payable on the trial balance and operating report.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

325 Other Taxes Payable

*Liabilities
Accrued*

Synopsis

Account 325 is established to record the amount of Other Taxes payable or accrued.

Debits	Credits
1. Payments made	1. Provision for real estate taxes payable 2. Provision for personal property taxes payable 3. Provision for gross receipts taxes payable 4. Provision for state and local taxes payable, not based on income

Example 1

Record the accrual of the real estate taxes for the month in the amount of \$3,813.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 084-01	Taxes – Real Estate – New Vehicle Department	\$1,335	
Account 084-02	Taxes – Real Estate – Used Vehicle Department	\$763	
Account 084-03	Taxes – Real Estate – Lease & Rental Department	\$75	
Account 084-05	Taxes – Real Estate – Mechanical Department	\$763	
Account 084-06	Taxes – Real Estate – Body Shop Department	\$267	
Account 084-07	Taxes – Real Estate – Parts & Accessories Department	\$419	
Account 084-09	Taxes – Real Estate – General & Administrative	\$191	
Account 325	Other Taxes Payable		\$3,813

Example 2

Record the payment of the real estate taxes in the amount of \$45,750.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 325	Other Taxes Payable	\$45,750	
Account 202	Cash in Bank		\$45,750

Comments

A credit balance represents unpaid taxes other than payroll, sales, use and income taxes.

327 Income Taxes Payable

*Liabilities
Accrued*

Synopsis

Account 327 is established to record the amount of current Income Taxes payable or accrued.

Debits	Credits
1. Monthly provision to equal year-to-date income taxes payable 2. Payments made	1. Monthly provision to equal year-to-date income taxes payable

Example 1

Record the monthly accrual of federal and state income taxes in the amount of \$93,750.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 099	Income Taxes – Current Year	\$93,750	
Account 327	Income Taxes Payable		\$93,750

Example 2

Record the payment of the 2nd quarter federal income taxes in the amount of \$183,000.

Journal: ACH (Automated Clearing House)

Entry:		Debit	Credit
Account 327	Income Taxes Payable	\$183,000	
Account 202	Cash in Bank		\$183,000

Comments

A credit balance represents unpaid federal, state and local income taxes.

328 Employees Incentives / Bonuses Payable

*Liabilities
Accrued*

Synopsis

Account 328 is established to record the amount of Employee Incentive Pay or Bonuses payable or accrued.

Debits	Credits
1. Monthly provision to equal year-to-date bonuses payable to employees 2. Net payments made	1. Monthly provision equal to year-to-date bonuses payable to employees

Example 1

Record the monthly accrual of \$2,500 for employee bonuses.

Journal: Payroll Journal

Entry:		Debit	Credit
Account 097	Bonuses – Employees	\$2,500	
Account 328	Employee’s Incentives/Bonuses Payable		\$2,500

Example 2

Record the payment of employee bonuses totaling \$30,000 at year-end. The payroll taxes accrued are \$9,900, and the retirement benefits accrued are \$2,400. The monthly payroll tax expense is \$2,295 and the monthly retirement benefit expense is \$600.

Journal: Payroll

Entry:		Debit	Credit
Account 328	Employee’s Incentives/Bonuses Payable	\$30,000	
Account 025-09	Payroll Taxes – General & Administrative	\$2,295	
Account 029-09	Retirement Benefits – General & Administrative	\$600	
Account 202	Cash in Bank		\$20,505

Account 323	Payroll Taxes Payable		\$9,990
Account 330	Retirement Benefits Payable		\$2,400

Comments

A credit balance represents unpaid employees bonuses.

329 Owners Bonuses Payable

*Liabilities
Accrued*

Synopsis

Account 329 is established to record the amount of Bonuses payable or accrued for payment to Owners.

Debits	Credits
1. Monthly provision to equal year-to-date bonuses payable to owners 2. Payments made	1. Monthly provision equal to year-to-date bonuses payable to owners

Example 1

Record the monthly accrual of the owner's bonus of \$30,000.

Journal: Payroll Journal

Entry:		Debit	Credit
Account 098	Bonuses – Owners	\$30,000	
Account 329	Owner's Bonuses Payable		\$30,000

Example 2

Record the payment of the owner's bonus of \$30,000 that had previously been accrued. The payroll taxes accrued are \$12,090 and the retirement benefit accrual is \$2,400. The monthly payroll tax expense charged is \$2,295 and the monthly retirement benefit expense is \$600.

Journal: Payroll Journal

Entry:		Debit	Credit
Account 329	Owner's Bonuses Payable	\$30,000	
Account 025-09	Payroll Taxes – General & Administrative	\$2,295	
Account 029-09	Retirement Benefits – General & Administrative	\$600	
Account 202	Cash in Bank		\$18,405
Account 323	Payroll Taxes Payable		\$12,090

Account 330	Retirement Benefits Payable		\$2,400
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Comments

A credit balance represents unpaid owners bonuses.

330 Retirement Fund Payable

Liabilities Accrued

Synopsis

Account 330 is established to record the amount of funds payable or accrued for payment toward a Retirement Fund.

Debits	Credits
1. Payments made	1. Provision for employer's contribution to an employee retirement fund 2. Employees' contributions to an employee retirement fund

Example 1

Record the payment of the commission payroll of \$180,000 that includes both the employee and employer retirement benefits payable. The payroll tax accrual is \$56,170 and the retirement benefits accrued is \$14,400.

Journal: Payroll Journal

Entry:		Debit	Credit
Account 321	Salaries, Wages & Commissions Payable	\$180,000	
Account 025-01	Taxes – Payroll – New Vehicles Department	\$5,090	
Account 025-02	Taxes – Payroll – Used Vehicles Department	\$3,095	
Account 025-04	Taxes – Payroll – Finance & Insurance Department	\$1,830	
Account 025-05	Taxes – Payroll – Mechanical Department	\$3,450	
Account 025-06	Taxes – Payroll – Body Shop Department	\$385	
Account 025-07	Taxes – Payroll – Parts & Accessories Department	\$1,550	
Account 029-01	Retirement Benefits – New Vehicles Department	\$1,200	
Account 029-02	Retirement Benefits – Used Vehicles	\$600	

	Department		
Account 029-04	Retirement Benefits – Finance & Insurance Department	\$400	
Account 029-05	Retirement Benefits – Mechanical Department	\$900	
Account 029-06	Retirement Benefits – Body Shop Department	\$100	
Account 029-07	Retirement Benefits – Parts & Accessories Department	\$400	
Account 202	Cash in Bank		\$128,430
Account 323	Payroll Taxes Payable		\$56,170
Account 330	Retirement Benefits Payable		\$14,400

Example 2

Record the remittance of \$14,400 for the retirement benefits contribution to the retirement benefits plan.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 330	Retirement Benefits Payable	\$14,400	
Account 202	Cash in Bank		\$14,400

Comments

A credit balance represents unpaid contributions to an employee retirement fund.

331 Other Payable

Liabilities Accrued

Synopsis

Account 331 is established to record the amount payable or accrued for Other Payables.

Debits	Credits
1. Payments made 2. Dividends paid which were previously declared	1. Provision for other accrued expenses payable 2. Dividends declared and payable

Example 1

Record the monthly accrual of \$5,000 for the Public accountant's fees.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 072-09	Legal & Auditing Expense – General & Administrative	\$5,000	
Account 331	Other Payable		\$5,000

Example 2

Record the accrual of \$500,000 for dividends declared.

Journal: General Journal

Entry:		Debit	Credit
Account 375	Dividends	\$500,000	
Account 331	Other Payables		\$500,000

Example 3

Record the payment of \$500,000 for the dividend payable above.

Journal: Cash Disbursements

Entry:		Debit	Credit
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Account 331	Other Payables	\$500,000	
Account 202	Cash in Bank		\$500,000

Comments

A credit balance represents other payables and accrued expenses for items such as:

- a. Charitable contributions
- b. Inventory service
- c. Legal and auditing fees
- d. Rent
- e. Dividends

332 Reserves and Deferrals

Liabilities Long Term

Synopsis

Account 332 is established to record other reserves for potential losses, advances and miscellaneous unearned income. Items placed into this account should be reasonably anticipated and long term in nature.

Debits	Credits
1. Amount of anticipated losses that are now realized	1. Estimated losses or charges
2. Repayment of advances	2. Funds received but not yet earned
3. Amortization of unearned income	

Example 1

Accrue potential losses from pending legal action.

Journal: General

Entry:		Debit	Credit
Account 955	Other Deductions	\$40,000	
Account 332	Reserves and Deferrals		\$40,000

Example 2

To record payment of environmental remediation invoice against amounts that were reserved in prior year.

Journal: Cash Disbursement

Entry:		Debit	Credit
Account 332	Reserves and Deferrals	\$16,000	
Account 202	Cash in Bank		\$16,000

Example 3

Deposit received for option on the potential sale of excess dealership property.

Journal: Cash Receipts

Entry:		Debit	Credit
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Account 201	Cash on Hand	\$25,000	
Account 332	Reserves and Deferrals		\$25,000

Example 4

Amortization of unearned income from vendor contract.

Journal: General Journal

Entry:		Debit	Credit
Account 905	Other Income	\$400	
Account 332	Reserves and Deferrals		\$400

Comments

A credit balance represents an estimated liability and or unearned income.

Professional advice should be obtained regarding tax treatment of unearned income and loss reserves.

333 Deferred Taxes

Liabilities
Long Term

Synopsis

Account 333 is established to record reserves for taxes, which are due beyond the next 12 month period.

Debits	Credits
	1. The amount of taxes that have been deferred for payment beyond the next 12 months

Example 1

Record the year-end audit adjustment for the deferred taxes due of \$5,500 to the difference in book and tax depreciation methods. (Note – the books had already been closed for the year)

Journal: General Journal

Entry:		Debit	Credit
Account 370	Retained Earnings	\$5,500	
Account 333	Deferred Taxes		\$5,500

Comments

Deferred Taxes is established to present the estimated actual taxes to be paid in future years.

Note:

Professional tax and accounting advice should be obtained regarding Differed Taxes.

334 Notes Payable - Capital Loans

Liabilities Long Term

Synopsis

Account 334 is established to record the long term portion of outside loans which are intended to be long term capital of the company. Amounts due within the next 12 months (current portion) should be recorded in [Account 314, Notes Payable – Other](#).

Debits	Credits
1. Principal payments on loans	1. Notes payable to banks and other financial institutions

Example 1

Record the receipt of proceeds of a bank loan.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$250,000	
Account 334	Notes Payable - Capital Loans		\$250,000

Example 2

Accrue monthly interest on bank loan.

Journal: Standard Entries

Entry:		Debit	Credit
Account 79*	Interest - Notes Payable (Other)	\$1,250	
Account 320	Interest Payable		\$1,250

Example 3

Payment of monthly interest payment on bank loan.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 320	Interest Payable	\$1,250	
Account 202	Cash in Bank		\$1,250

Note:

* = Interest should be allocated across departments based on methods described in Distribution of Expenses section of this manual.

Notes on equipment should be recorded in Account 336 Other Notes & Contracts

Comments

A credit balance represents the liability on the note.

Amortization schedules should be maintained to allocate the principal and interest payments for notes with blended periodic payments due.

336 Other Notes & Contracts

Liabilities

Long Term

Synopsis

Account 336 is established to record long term loans on equipment lease purchase contracts, such as financing that might be provided by R&R, ADP or other equipment providers. Financing that may be provided by a seller to the current business owners from the sale of the business should also be placed in this account. Amounts due within the next 12 months (current portion) should be recorded in [Account 314, Notes Payable - Other](#)

Debits	Credits
1. Principal payments on loans	1. Notes payable to banks and other financial institutions from the purchase of dealership fixed assets. 2. The net present value of lease payments for capital lease obligations. 3. The amounts owed by the dealership entity to prior business owners from the sale of the business.

Example 1

Record the purchase of shop equipment financed with note payable to the vendor splitting out principal reductions due in the next 12 months.

Journal: General

Entry:		Debit	Credit
Account 282	Machinery & Shop Equipment	\$125,000	
Account 314	Notes Payable - Other		\$17,845
Account 336	Other Notes & Contracts		\$107,155

Example 2

Record payment number 15 of 60 on seller provided financing from purchase of business from prior owner.

Revised 1/6/2017

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 79*	Interest - Notes Payable (Other)	\$1,234	
Account 336	Other Notes & Contracts	\$3,766	
Account 202	Cash in Bank		\$5,000

Note:

* = Interest should be allocated across departments based on methods described in Distribution of Expenses section of this manual.

Notes for the general capitalization of the company should be placed in [Account 334 Notes Payable - Capital Loans](#).

Comments

A credit balance represents the liability on the note.

Amortization schedules should be maintained to allocate the principal and interest payments for capital leases and term notes with blended periodic payments due.

337 Other Notes - Owners

Liabilities Long Term

Synopsis

Account 337 is established to record notes payable to equity owners of the dealership.

Debits	Credits
1. Principal payments to current owners of the dealership	1. Notes payable to current equity owners of the dealership

Example 1

Record the receipt of funds from the owner intended to be part of the long term permanent capitalization of the company.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$500,000	
Account 336	Other Notes - Owners		\$500,000

Example 2

Payment of monthly interest to the owner on the note payable to her.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 79*	Interest - Notes Payable (Other)	\$2,083	
Account 202	Cash In Bank		\$2,083

Note:

* = Interest should be allocated across departments based on methods described in Distribution of Expenses section of this manual.

Comments

Revised 1/6/2017

A credit balance represents the liability on the obligations.
All note balances need to be supported by promissory notes.
Amortization schedules should be maintained to allocate the principal and interest payments for notes with blended periodic payments due.

338 Note Payable - Affiliated Companies

Liabilities Long Term

Synopsis

Account 338 is established to record notes payable to entities that share common ownership with equity owners of the dealership.

Debits	Credits
1. Principal payments to affiliated companies	1. Notes payable to affiliated companies

Example 1

Record the receipt of funds from an affiliated company intended to be part of the long term permanent capitalization of the company.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand Bank	\$750,000	
Account 338	Other Notes - Affiliated Companies		\$750,000

Example 2

Payment of monthly interest to an Affiliated Company on the note payable to them.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 79*	Interest - Notes Payable (Other)	\$3,125	
Account 202	Cash in Bank		\$3,125

Note:

* = Interest should be allocated across departments based on methods described in Distribution of Expenses section of this manual.

Comments

Revised 1/6/2017

A credit balance represents the liability on the obligations.
All balances need to be supported by promissory notes.
Amortization schedules should be maintained to allocate the principal and interest payments for notes with blended periodic payments due.

335 Mortgages Payable & Facility Related Loans

Liabilities

Long Term

Synopsis

Account 335 is established to record the amount due beyond the next 12 months for loans secured by real estate used by the dealership. The account is also to be used for other funding that was used to make improvements to the facility including funding that is being held as unearned income. Amounts due within the next 12 months (current portion) should be recorded in [Account 314, Notes Payable - Other](#).

Debits	Credits
1. Principal payments on loans	1. Notes payable secured by real estate not due within 12 months 2. Debt incurred for leasehold and image improvements made to dealership facilities

Example 1

Record the proceeds from a new mortgage on the dealership property. The old mortgage of \$3,005,490 was paid off with part of the proceeds. The dealership also incurred \$15,278 of costs associated with obtaining this mortgage.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$1,479,232	
Account 335	Mortgages Payable & Facility Related Loans	\$3,005,490	
Account 296	Other Investments & Miscellaneous Assets	\$15,278	
Account 335	Mortgages Payable & Facility Related Loans		\$4,500,000

Example 2

Record the monthly mortgage payment of \$38,051 that is due for the month. The amount of \$15,551 is applied to the principal and the interest is \$22,500.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 335	Mortgages Payable & Facility Related Loans	\$15,551	
Account 320	Interest Payable	\$22,500	
Account 202	Cash In Bank		\$38,051

Example 3

Record the amount of \$455,683 for the real estate mortgage that is due within the next twelve months.

Journal: General Journal

Entry:		Debit	Credit
Account 335	Mortgages Payable & Facility Related Loans	\$455,683	
Account 314	Notes Payable – Other		\$455,683

Comments

A credit balance: represents amounts NOT DUE within 12 months from the current operating report date and secured by real estate or funded real estate improvements.

Professional advice should be obtained regarding tax treatment of unearned income.

340 Allowance for Doubtful Accounts

Liabilities

Contra Assets

Synopsis

Account 340 is established to record the reserve for bad debts.

Debits	Credits
<ol style="list-style-type: none"> 1. Customer receivables being written off as uncollectible 2. Monthly decrease of the provision to equal total customer receivables over 90 days past due 	<ol style="list-style-type: none"> 1. Establishment of the provision to equal total customer receivables over 90 days past due 2. Monthly increase of the provision to equal total customer receivables over 90 days past due 3. Amounts owed by customers who have become insolvent, regardless of the age of the account

Example 1

Record the adjustment \$4,409 which is necessary to establish the allowance for customer receivables over 90 days past due. The bad debt expense is pro-rated to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 057-01	Bad Debt Expense – New Vehicle Department	\$1,500	
Account 057-02	Bad Debt Expense – Used Vehicle Department	\$750	
Account 057-05	Bad Debt Expense – Mechanical Department	\$685	
Account 057-06	Bad Debt Expense – Body Shop Department	\$1,250	
Account 057-07	Bad Debt Expense – Parts & Accessories Department	\$224	
Account 340	Allowance for Doubtful Accounts		\$4,409

Comments

A credit balance represents the provision for possible losses on uncollectible customer notes and accounts receivable. All receivables should be aged and collection efforts should be intensified, as debts get older. Professional advice should be obtained regarding items that remain uncollectible and the tax deduction status of accounts being written off.

347 Accumulated Depreciation - Lease and Rental Units

Liabilities

Contra Assets

Synopsis

Account 347 is established to record the Accumulated Depreciation of Lease and Rental Units currently in service. These Lease and Rental units are assets owned by the dealership.

Debits	Credits
1. Accumulated depreciation of Lease and Rental units sold or otherwise disposed of	1. Monthly provision for depreciation

Example 1

Record the monthly depreciation of \$3,600 on rental units.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 732	Direct Cost – Amortization	\$3,600	
Account 347	Accumulated Depreciation – Lease & Rental Units		\$3,600

Example 2

Record the transfer of a lease unit to used car inventory at the appraised wholesale value of \$14,800. The initial cost is \$24,000 and the depreciation is \$8,800 with a \$400 direct cost amortization.

Journal: General Journal

Entry:		Debit	Credit
Account 240	Inventory – Used Cars	\$14,800	
Account 347	Accumulated Depreciation – Lease & Rental Units	\$8,800	
Account 712	Direct Cost – Amortization	\$400	
Account 277	Lease & Rental Vehicles		\$24,000

Example 3

Record the sale of a lease unit for \$15,200 at the end of the lease. The initial cost is \$24,000 and the depreciation is \$8,800.

Journal: Cash Sales

Entry:		Debit	Credit
Account 201	Cash in Bank	\$15,200	
Account 347	Accumulated Depreciation – Lease & Rental Units	\$8,800	
Account 710	Cost of Sales of Disposed Vehicles	\$15,200	
Account 277	Lease & Rental Vehicles		\$24,000
Account 510	Selling Price of Disposed Vehicle		\$15,200

Comments

A credit balance represents the accumulated depreciation of lease and rental units.

Note:

Professional tax and accounting advice should be obtained regarding the proper handling and depreciation of Lease and Rental Units.

351 Accumulated Depreciation of Buildings and Improvements

Liabilities

Contra Assets

Synopsis

Account 351 is established to record the total Depreciation applied to Buildings and Improvements used by the dealership in the automobile business.

Debits	Credits
1. Accumulated depreciation of buildings and improvements sold and otherwise disposed of	1. Monthly provision for depreciation

Example 1

Record the monthly depreciation expense of \$10,150 for building and improvements. The depreciation expense is pro-rated to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 083-01	Depreciation – Buildings & Improvements – New Vehicles Department	\$2,132	
Account 083-02	Depreciation – Buildings & Improvements – Used Vehicle Department	\$1,522	
Account 083-03	Depreciation – Buildings & Improvements – Lease & Rental Department	\$203	
Account 083-05	Depreciation – Buildings & Improvements – Mechanical Department	\$1,929	
Account 083-06	Depreciation – Buildings & Improvements – Body Shop Department	\$1,015	
Account 083-07	Depreciation – Buildings & Improvements – Parts & Accessories	\$1,827	

	Department		
Account 083-09	Depreciation – Buildings & Improvements – General & Administrative Department	\$1,522	
Account 351	Accumulated Depreciation – Building & Improvements (Auto Business Only)		\$10,150

Example 2

Record the write-off of \$18,364 for landscaping that was destroyed by a snowstorm. The dealership owns the building & improvements. The depreciation is \$5,814 and the casualty loss is \$12,550.

Journal: General Journal

Entry:		Debit	Credit
Account 351	Accumulated Depreciation – Buildings & Improvements	\$5,814	
Account 955	Other Deductions	\$12,550	
Account 281	Buildings & Improvements (Auto Business Only)		\$18,364

Comments

A credit balance represents the accumulated depreciation of buildings and improvements used in the operation of the business.

Note:

Professional tax and accounting advice should be obtained regarding the proper method of depreciation, which can be applied to Buildings and Improvements.

352 Accumulated Depreciation of Machinery and Shop Equipment

Liabilities

Contra Assets

Synopsis

Account 352 is established to record the total Depreciation applied to Machinery and Shop Equipment used by the dealership in the automobile business.

Debits	Credits
1. Accumulated depreciation of machinery and shop equipment sold and otherwise disposed of	1. Monthly provision for depreciation

Example 1

Record the monthly provision of \$4,490 for depreciation of machinery and equipment. The monthly expense is pro-rated between the Mechanical and Body Shop departments as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 091-05	Depreciation Equipment – Mechanical Department	\$2,596	
Account 091-06	Depreciation Equipment – Body Shop Department	\$1,894	
Account 352	Accumulated Depreciation – Machinery & Equipment		\$4,490

Example 2

Record the disposal of obsolete diagnostic equipment. The original cost is \$5,000 and the depreciation is \$3,438 resulting in a “write off” of \$1,562.

Journal: General Journal

Entry:		Debit	Credit
Account 352	Accumulated Depreciation – Machinery & Shop Equipment	\$3,438	
Account 955	Other Deductions	\$1,562	

Account 282	Machinery & Shop Equipment		\$5,000
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Comments

A credit balance represents the accumulated depreciation of machinery and shop equipment used in the operation of the business.

Note:

Professional tax and accounting advice should be obtained regarding the proper method of depreciation, which can be applied to Machinery and Shop Equipment.

353 Accumulated Depreciation of Parts and Accessories Equipment

Liabilities

Contra Assets

Synopsis

Account 353 is established to record the total Depreciation applied to Parts and Accessories Equipment.

Debits	Credits
1. Accumulated depreciation of parts and accessories equipment sold and otherwise disposed of	1. Monthly provision for depreciation

Example 1

Record the monthly provision of \$1,063 for the depreciation of parts and accessories equipment.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 091-07	Depreciation – Equipment – Parts & Accessories Department	\$1,063	
Account 353	Accumulated Depreciation – Parts & Accessories		\$1,063

Example 2

Record the sale of parts bins no longer used for the amount of \$350. The original fixed asset value of \$3,750 has been fully depreciated.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$350	
Account 353	Accumulated Depreciation – Parts & Accessories Equipment	\$3,750	
Account 283	Parts & Accessories Equipment		\$3,750
Account 905	Other Income		\$350

Comments

A credit balance represents the accumulated depreciation of parts and accessories equipment used in the operation of the business.

Note:

Professional tax and accounting advice should be obtained regarding the proper method of depreciation, which can be applied to Parts and Accessories Equipment.

354 Accumulated Depreciation of Furniture and Fixtures

Liabilities

Contra Assets

Synopsis

Account 354 is established to record the total Depreciation of Furniture and Fixtures owned by the dealership and used in the automobile business.

Debits	Credits
1. Accumulated depreciation of furniture and fixtures sold and otherwise disposed of	1. Monthly provision for depreciation

Example 1

Record the monthly provision of \$6,445 for depreciation of furniture and fixtures. The monthly expense is pro-rated to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 091-01	Depreciation – Equipment – New Vehicles Department	\$1,325	
Account 091-02	Depreciation – Equipment – Used Vehicles Department	\$950	
Account 091-03	Depreciation – Equipment – Lease & Rental Department	\$675	
Account 091-04	Depreciation – Equipment – Finance & Insurance Department	\$425	
Account 091-05	Depreciation – Equipment – Mechanical Department	\$1,185	
Account 091-06	Depreciation – Equipment – Body Shop Department	\$275	
Account 091-07	Depreciation – Equipment – Parts & Accessories Department	\$350	
Account 091-09	Depreciation – Equipment – General & Administrative	\$1,260	
Account 354	Accumulated Depreciation – Furniture & Fixtures		\$6,445

Example 2

Record the trade-in of an old copier machine (original cost \$5,000) with a book value of \$500 for a new copier that sells for \$10,000. An allowance of \$750 was received for the old copier.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 354	Accumulated Depreciation – Furniture & Fixtures	\$4,500	
Account 284	Furniture & Fixtures	\$9,750	
Account 284	Furniture & Fixtures		\$5,000
Account 202	Cash in Bank		\$9,250

Comments

A credit balance represents the accumulated depreciation of furniture and fixtures used in the operation of the business.

Note:

Professional tax and accounting advice should be obtained regarding the proper method of depreciation, which can be applied to Furniture and Fixtures.

355 Accumulated Depreciation of Company Vehicles

Liabilities

Contra Assets

Synopsis

Account 355 is established to record the total Depreciation applied to Company Vehicles owned by the dealership and used in the automobile business.

Debits	Credits
1. Accumulated depreciation of company vehicles sold and otherwise disposed of	1. Monthly provision for depreciation

Example 1

Record the monthly provision of \$2,370 for the depreciation of company vehicles used by the Mechanical and Parts & Accessories departments. The monthly expense is prorated to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 091-05	Depreciation – Equipment – Mechanical Department	\$875	
Account 091-07	Depreciation – Equipment – Parts & Accessories Department	\$1,495	
Account 355	Accumulated Depreciation – Company Vehicles		\$2,370

Example 2

Record the transfer of the courtesy van to used car inventory. The van has an ACV of \$5,500. The original cost is \$24,275 and has been fully depreciated.

Journal: General Journal

Entry:		Debit	Credit
Account 240	Inventory – Used Cars	\$5,500	
Account 355	Accumulated Depreciation – Company Vehicles	\$24,275	
Account 285	Company Vehicles		\$24,275

Account 905	Other Income		\$5,500
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Comments

A credit balance represents the accumulated depreciation of permanent company vehicles used in the operation of the business.

Note:

Professional tax and accounting advice should be obtained regarding the proper method of depreciation, which can be applied to Company Vehicles.

356 Accumulated Amortization of Leaseholds

Liabilities

Contra Assets

Synopsis

Account 356 is established to record the total Amortization of Leasehold improvements on property rented by the dealership and used in the automobile business.

Debits	Credits
1. Accumulated amortization of leaseholds improvements sold or otherwise disposed of	1. Monthly provision for amortization

Example 1

Record the monthly provision of \$4,275 for the amortization of leasehold improvements. The monthly expense is pro-rated to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 081-01	Amortization – Leaseholds – New Vehicles Department	\$898	
Account 081-02	Amortization – Leaseholds – Used Vehicles Department	\$641	
Account 081-03	Amortization – Leaseholds – Lease & Rental Department	\$86	
Account 081-05	Amortization – Leaseholds – Mechanical Department	\$812	
Account 081-06	Amortization – Leaseholds – Body Shop Department	\$427	
Account 081-07	Amortization – Leaseholds – Parts & Accessories Department	\$770	
Account 081-09	Amortization – Leaseholds – General & Administrative	\$641	
Account 356	Accumulated Amortization – Leasehold Improvements		\$4,275

Example 2

Record the write-off of \$514 for a fence that was taken down. The original cost is \$6,328 and the depreciation to date is \$5,814.

Journal: General Journal

Entry:		Debit	Credit
Account 356	Accumulated Depreciation – Leasehold Improvements	\$5,814	
Account 955	Other Deductions	\$514	
Account 286	Leasehold Improvements		\$6,328

Comments

A credit balance represents the accumulated amortization of leaseholds and leasehold improvements used in the operation of the business.

Note:

Professional tax and accounting advice should be obtained regarding the proper method of amortization, which can be applied to Leasehold improvements.

357 Accumulated Depreciation of IT - Hardware

Liabilities

Contra Assets

Synopsis

Account 357 is established to record the total Depreciation applied to computer Hardware owned by the dealership and used in the automobile business.

Debits	Credits
1. The total amount of Depreciation applied to IT Hardware when the Hardware is sold or otherwise disposed	1. The monthly provision for Depreciation applied to IT Hardware

Example 1

Record the monthly provision of \$3,360 for depreciation on IT Hardware. The monthly expense is pro-rated to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 091-01	Depreciation – Equipment – New Vehicles Department	\$605	
Account 091-02	Depreciation – Equipment – Used Vehicles Department	\$504	
Account 091-03	Depreciation – Equipment – Lease & Rental Department	\$117	
Account 091-04	Depreciation – Equipment – Finance & Insurance Department	\$151	
Account 091-05	Depreciation – Equipment – Mechanical Department	\$638	
Account 091-06	Depreciation – Equipment – Body Shop Department	\$336	
Account 091-07	Depreciation – Equipment – Parts & Accessories Department	\$505	
Account 091-09	Depreciation – Equipment – General & Administrative	\$504	
Account 357	Accumulated Depreciation – IT Hardware		\$3,360

Example 2

Record the disposition of old computers that were removed from service. The original fixed asset value is \$7,000 and the depreciation to date is \$6,597. The resulting “write off” is \$403.

Journal: General Journal

Entry:		Debit	Credit
Account 357	Accumulated Depreciation – IT Hardware	\$6,597	
Account 955	Other Deductions	\$403	
Account 287	IT- Hardware		\$7,000

Note:

Professional tax and accounting advice should be obtained regarding the proper method of depreciation, which can be applied to IT Hardware.

358 Accumulated Depreciation of IT – Software

Liabilities

Contra Assets

Synopsis

Account 358 is established to record the total Depreciation applied to IT Software purchased or licensed by the dealership for use in the automobile business.

Debits	Credits
1. The total amount of Depreciation applied to IT computer Software when such Software is sold or otherwise disposed	1. The monthly provision for depreciate IT software

Example 1

Record the monthly provision of \$1,215 for depreciation of IT Software. The monthly expense is pro-rated to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 091-01	Depreciation – Equipment – New Vehicles Department	\$235	
Account 091-02	Depreciation – Equipment – Used Vehicles Department	\$185	
Account 091-03	Depreciation – Equipment – Lease & Rental Department	\$50	
Account 091-04	Depreciation – Equipment – Finance & Insurance Department	\$100	
Account 091-05	Depreciation – Equipment – Mechanical Department	\$235	
Account 091-06	Depreciation – Equipment – Body Shop Department	\$25	
Account 091-07	Depreciation – Equipment – Parts & Accessories Department	\$200	
Account 091-09	Depreciation – Equipment – General & Administrative	\$185	
Account 358	Accumulated Depreciation – IT Software		\$1,215

Example 2

Record the disposition of computer software no longer used. The original capitalized cost is \$4,286 and the software has been fully depreciated.

Journal: General Journal

Entry:		Debit	Credit
Account 358	Accumulated Depreciation – IT Software	\$4,286	
Account 288	IT- Software		\$4,286

Note:

Professional tax and accounting advice should be obtained regarding the proper method of depreciation, which can be applied to IT computer Software.

359 Accumulated Depreciation - Other

Liabilities

Contra Assets

Synopsis

Account 359 is established to record the total Depreciation of assets which are recorded in [Account 289, Other Fixed Assets](#).

Debits	Credits
1. The total amount of Depreciation applied to Assets recorded in Account 289, Other Fixed Assets when any of these assets are sold or otherwise disposed	1. The monthly provision for depreciate Other Fixed Assets held in Account 289

Example 1

Record the monthly provision of \$1,000 for depreciation of other fixed assets.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 091-09	Depreciation – Equipment – General & Administrative	\$1,000	
Account 359	Accumulated Depreciation – Other		\$1,000

Comments

This account is provided to show accumulated depreciation on all of the assets included in [Account 289, Other Fixed Assets](#).

Note:

Professional tax and accounting advice should be obtained regarding the proper method of depreciation, which can be applied to Other Fixed Assets.

Owner's Equity

360 Capital Stock and Additional Paid-In Capital

Owner's Equity Net Worth

Synopsis

Account 360 is established to record the amount of capitalization for dealerships, which are organized as corporations. This account cannot be used by dealerships set up as partnerships or proprietorships (see [Account 380 Investments](#)).

Debits	Credits
1. Par or assigned value of capital stock retired	1. Par or assigned value of capital stock issued 2. Additional paid-in capital

Example 1

Record the capitalization of a new car dealership. The dealership was capitalized for \$4,500,000 with the issuance of 10,000 shares with a par value of \$100 per share.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$4,500,000	
Account 360	Capital Stock		\$1,000,000
Account 360A	Additional Paid-In Capital		\$3,500,000

Example 2

Record the retirement of 1,000 shares of treasury stock at par value.

Journal: General Journal

Entry:		Debit	Credit
Account 360	Capital Stock	\$100,000	
Account 360B	Treasury Stock		\$100,000

Comments

A credit balance represents the par or assigned value of capital stock outstanding and additional paid-in capital.

Note:

Separate general ledger accounts should be established for each class of stock and additional paid-in capital. The balances in these accounts should be combined with Account 360, Capital Stock & Additional Paid In Capital on the trial balance.

If a corporation purchases its own capital stock, one of the following procedures should be utilized.

- A. If the stock is retired, its par or assigned value should be recorded in Account 360, Capital Stock & Additional Paid In Capital.

Amounts paid in excess of par or assigned value should be recorded in [Account 370, Retained Earnings](#).

If purchased for less, the discount should be credited to an account captioned Paid-In Surplus. The balance in this account should be combined with Account 360, Capital Stock & Additional Paid In Capital on the trial balance.

- B. If the stock is not retired, it should be recorded, at cost, in an account captioned Treasury Stock. The balance in this account should be combined with Account 360, Capital Stock & Additional Paid In Capital on the trial balance.

- C. If legal considerations require a recording and operating report presentation different than outlined above, such procedure should be followed.

370 Retained Earnings

Owner's Equity

Net Worth

Synopsis

Account 370, Retained Earnings is established to record the accumulated profit (or loss) of the dealership. This account is for use by corporations only.

Debits	Credits
1. Amounts paid in excess of par or assigned value of capital stock retired	1. Net profit at the end of the accounting year
2. Balance in the dividends account at the end of the accounting year	
3. Net loss at the end of the accounting year	

Example 1

Record the transfer of the net profit of \$1,687,894 at the end of the accounting year.

Journal: General Journal

Entry:		Debit	Credit
Account 399	Profit and Loss	\$1,687,894	
Account 370	Retained Earnings		\$1,687,894

Example 2

Record the reclassification of dividends totaling \$500,000 to retained earnings at the end of the year.

Journal: General Journal

Entry:		Debit	Credit
Account 370	Retained Earnings	\$500,000	
Account 375	Dividends		\$500,000

Example 3

Record the year-end audit adjustment of \$5,500 for the deferred taxes due to difference in book and tax depreciation methods. (Note – the books had already been closed for the year)

Journal: General Journal

Entry:		Debit	Credit
Account 370	Retained Earnings	\$5,500	
Account 333	Deferred Taxes		\$5,500

Comments

A credit balance represents retained profits accumulated in prior years in an incorporated business.

375 Dividends

Owner's Equity Net Worth

Synopsis

Account 375 is established to record the amount of Dividends paid or payable to stockholders as declared by the Board of Directors. This account is for corporations only.

Debits	Credits
1. Dividends paid during the current year	1. Balance in the account at the end of the accounting year

Example 1

Record the accrual of declared dividends totaling \$500,000.

Journal: General Journal

Entry:		Debit	Credit
Account 375	Dividends	\$500,000	
Account 331	Other Payables		\$500,000

Example 2

Record the transfer of dividends account to retained earnings at the end of the year.

Journal: General Journal

Entry:		Debit	Credit
Account 370	Retained Earnings	\$500,000	
Account 375	Dividends		\$500,000

380 Investments

Owner's Equity

Net Worth

Synopsis

Account 380 is established for partnerships and proprietorships to record the Investments of owners. Corporations may not use this account.

Debits	Credits
1. Balance in the drawings account at the end of the accounting year	1. Investments in an unincorporated business
2. Net loss at the end of the accounting year	2. Net Profit at the end of the accounting year

Example 1

Record the additional investment of \$50,000 made by one of the partners.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$50,000	
Account 380	Investments		\$50,000

Example 2

Record the transfer of the balance of \$10,000 in the drawings account at the end of the accounting year.

Journal: General Journal

Entry:		Debit	Credit
Account 380	Investments	\$10,000	
Account 390	Drawings		\$10,000

Example 3

Record the transfer of the net profit of \$1,365,137 at the end of the accounting year.

Journal: General Journal

Entry:		Debit	Credit
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Account 399	Profit or Loss	\$1,365,137	
Account 380	Investments		\$1,365,137

Comments

A credit balance represents the investment and retained profits accumulated in prior years in an unincorporated business.

Note:

Separate general ledger accounts should be provided for each partner. The balances in these accounts should be combined in Account 380, Investments on the operating report.

390 Drawings

*Owner's Equity
Net Worth*

Synopsis

Account 390, Drawings is established to record the amount of funds withdrawn from the dealership by partners or owners of an unincorporated business.

Debits	Credits
1. Withdrawals (other than salaries) during the current year by a proprietor and by partners	1. Balance in the account at the end of the accounting year

Example 1

Record the cash withdrawal (other than salary) of \$10,000 by one of the partners.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 390	Drawings	\$10,000	
Account 202	Cash in Bank		\$10,000

Example 2

Record the transfer of the balance (\$10,000) in the drawings account at the end of the accounting year.

Journal: General Journal

Entry:		Debit	Credit
Account 380	Investments	\$10,000	
Account 390	Drawings		\$10,000

Note:

Separate general ledger accounts should be provided for each partner. The balances in these accounts should be combined in Account 390, Drawings on the operating report.

399 Profit and Loss

Owner's Equity

Net Worth

Synopsis

Account 399 is established to report the Profit or Loss of the dealership.

Debits	Credits
1. Total of all costs of sales accounts at the end of the accounting year	1. Total of all sales accounts at the end of the accounting year
2. Total of all expense accounts at the end of the accounting year	2. Total of all lease and rental income and sales accounts at the end of the accounting year
3. Total of all deductions from income accounts at the end of the accounting year	3. Total of all additions to income accounts at the end of the accounting year
4. Net profit at the end of the accounting year	4. Net loss at the end of the accounting year

Example 1

Record the transfer of the year end operating profit of \$532,671 to retained earnings at the end of the accounting year.

Journal: General Journal

Entry:		Debit	Credit
Account 399	Profit or Loss	\$532,671	
Account 370	Retained Earnings		\$532,671

New Vehicles

400-418 New Cars - Retail

Sales

New Vehicle Department

Sales Synopsis

The sales of new GM Cars sold at retail to end-users are recorded in Accounts 400 through 418.

Debits	Credits
	1. Actual selling price of new cars sold to retail customers

600-618 New Cars - Retail

Cost of Sales

New Vehicle Department

Cost of Sales Synopsis

The cost of sales for cars sold at retail to end-users are recorded in Accounts 600 through 618.

Debits	Credits
1. Cost of new cars sold to retail customers	1. Credits received from the factory on sales to General Motors' employees under the General Motors Employee Purchase Plan

Example 1

Record a new vehicle sale for the amount of \$17,571 with a finance contract reserve of \$300, sales tax of \$879 and Registration Fees of \$125. The inventory value is \$16,721.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$18,575	

Account 262	Due from Finance Companies	\$300	
Account 600-618	Cost of Sales – New Cars – Retail	\$16,721	
Account 400-418	Sales – New Cars – Retail		\$17,571
Account 231	New Car Inventory		\$16,721
Account 324A	Sales Taxes Payable – Excise Taxes		\$879
Account 806	Finance Income – New		\$300
Account 910	Document Handling Fees		\$125

Example 2

Record the cost of a dealer installed accessory that was not included as part of the original cost of the car. The internal labor is \$85 and the accessory sale is \$250. The cost of labor is \$25 and the cost of the accessory is \$175.

Journal: Internal Sales

Entry:		Debit	Credit
Account 600-618	Cost of Sales – New Cars	\$335	
Account 663	Cost of Sales – Internal Labor Mechanical	\$25	
Account 657	Cost of Sales – Accessories	\$175	
Account 242	Inventory – Parts & Accessories		\$175
Account 247A	Inventory – Work in Process – Mechanical		\$25
Account 463	Sales – Internal Labor Mechanical		\$85
Account 457	Sales – Accessories		\$250

Comments

New Car Sales for each respective Division should be posted in the accounts as indicated in the current TB Edit file.

The selling price is credited to the Sales account and the inventory value, is posted to the corresponding Cost of Sales account.

Dealer installed Accessories sold by the New Vehicle Department should be recorded in [Account 457, Accessories](#).

Each vehicle sale should be recorded at actual selling price. Actual selling price means the selling price to the customer less discounts and overallowances.

The manufacturer will designate the account number to assign to each model of vehicles sold as indicated in the table above.

Each vehicle sale should be costed individually. The cost of a new vehicle is defined in the Asset section under Vehicle Inventories (New Vehicles).

The cost of the vehicle should be determined from the Factory Invoice or other Vehicle Inventory record. If any items have not been posted to this record, refer to underlying repair orders and invoices to determine the vehicle's cost.

Factory price reductions, which occur after the sales of vehicles, are reductions of cost and should be credited to the appropriate vehicle cost of sales account.

Note:

New vehicles transferred to other authorized GM dealers are not sales and should **not** be recorded in these sales and cost of sales accounts. Sales and exchanges of new vehicles between GM dealerships should be recorded as inventory transfers, at the vehicle inventory value, through the applicable new vehicle inventory accounts.

CHEVROLET

Cars			Trucks		
Sales	Cost of Sales		Sales	Cost of Sales	
A/C	A/C		A/C	A/C	
IMPALA	400A	600A	EXPRESS	425A	625A
			CITY EXPRESS	426A	626A
SS	403A	603A	COLORADO	428A	628A
MALIBU	404A	604A	SILVERADO	429A	629A
CAMARO	405A	605A			
CORVETTE	407A	607A	TAHOE	431A	631A
SPARK	408A	608A	SUBURBAN	432A	632A
CRUZE	411A	611A	EQUINOX	434A	634A
VOLT	412A	612A	TRAX	435A	635A
SONIC	413A	613A	TRAVERSE	436A	636A
BOLT	414A	614A	MED DUTY	437A	637A
OTHER CHEVY CAR	417A	617A	OTHER CHEVY TRUCK	438A	638A
OTHER CHEVY CAR	418A	618A	MEMO* e-TRK SLS this PG	439A	639A
MEMO *e-CAR SLS this PG	419A	619A	TOTAL TRK FLEET this PG	440A	640A
TOTAL CAR FLEET this PG	420A	620A	TOTAL TRK INTERNAL this PG	441A	641A

TOTAL CAR INTERNAL this PG	421A	621A			
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BUICK

Cars	Sales	Cost of Sales	Trucks	Sales	Cost of Sales
	A/C	A/C		A/C	A/C
VERANO	400D	600D	ENCLAVE	425D	625D
CASCADA	401D	601D	ENCORE	426D	626D
REGAL	402D	602D	ENVISION	427D	627D
LACROSSE	406D	606D	OTHER BUICK TRUCK	438D	638D
OTHER BUICK CAR	418D	618D	MEMO* e-TRK SLS this PG	439D	639D
MEMO* e-CAR SLS this PG	419D	619D	TOTAL TRK FLEET this PG	440D	640D
TOTAL CAR FLEET this PG	420D	620D	TOTAL TRK INTERNAL this PG	441D	641D
TOTAL CAR INTERNAL this PG	421D	621D			

CADILLAC

Cars	Sales	Cost of Sales	Trucks	Sales	Cost of Sales
	A/C	A/C		A/C	A/C
CT6	403E	603E	XT5	427E	627E
ELR	404E	604E	ESCALADE PLATINUM	429E	629E
SRX	406E	606E	ESCALADE	431E	631E
CTS V	407E	607E	ESCALADE ESV	432E	632E
CTS	408E	608E	ESCALADE ESV PLATINUM	433E	633E
XTS	409E	609E			
ATS	410E	610E			
ATS V	412E	612E			
OTHER CADILLAC	418E	618E	OTHER CADILLAC	438E	638E

CAR			TRUCK		
MEMO* e-CAR SLS this PG	419E	619E	MEMO* e-TRK SLS this PG	439E	639E
TOTAL CAR FLEET this PG	420E	620E	TOTAL TRK FLEET this PG	440E	640E
TOTAL CAR INTERNAL this PG	421E	621E	TOTAL TRK INTERNAL this PG	441E	641E

GMC TRUCK

	Trucks	Sales	Cost of Sales
		A/C	A/C
	ACADIA	423F	623F
	TERRAIN	424F	624F
	G-VAN (SAVANA)	425F	625F
	CANYON	428F	628F
	SIERRA	429F	629F
	YUKON	431F	631F
	YUKON XL	432F	632F
	MED DUTY	437F	637F
	OTH GMC TRKS	438F	638F
	MEMO* e-TRK SLS this PG	439F	639F
	TOTAL TRK FLEET this PG	440F	640F
	TOTAL TRK INTERNAL this PG	441F	641F

OTHER NON-GM

Cars	Sales	Cost of Sales	Trucks	Sales	Cost of Sales
	A/C	A/C		A/C	A/C
OTH CAR - 1	400J	600J	OTH TRK - 1	423J	623J
OTH CAR - 2	401J	601J	OTH TRK - 2	424J	624J
OTH CAR - 3	402J	602J	OTH TRK - 3	425J	625J
OTH CAR - 4	403J	603J	OTH TRK - 4	426J	626J
OTH CAR - 5	404J	604J	OTH TRK - 5	427J	627J

OTH CAR - 6	405J	605J		OTH TRK - 6	428J	628J
OTH CAR - 7	406J	606J		OTH TRK - 7	429J	629J
OTH CAR - 8	407J	607J		OTH TRK - 8	430J	630J
OTH CAR - 9	408J	608J		OTH TRK - 9	431J	631J
OTH CAR - 10	409J	609J		OTH TRK - 10	432J	632J
OTH CAR - 11	410J	610J		OTH TRK - 11	433J	633J
OTH CAR - 12	411J	611J		OTH TRK - 12	434J	634J
OTH CAR - 13	412J	612J		OTH TRK - 13	435J	635J
OTH CAR - 14	413J	613J		OTH TRK - 14	436J	636J
OTH CAR - 15	414J	614J		OTH TRK - 15	437J	637J
OTH CAR - 16	415J	615J		OTH TRK - 16	438J	638J
OTH CAR - 17	416J	616J				
OTH CAR - 18	417J	617J				
OTH CAR - 19	418J	618J				

419 New Cars – Internet (Memo Account)

Sales

New Vehicle Department

Sales Synopsis

Account 419, New Cars - Internet, is established as a memo account only to “break-out” sales produced by the dealership’s Internet marketing efforts.

Debits	Credits
	1. Actual selling price of new cars sold as a result of Internet activity recorded in Accounts 400-418 above

619 New Cars – Internet (Memo Account)

Cost of Sales

New Vehicle Department

Cost of Sales Synopsis

The inventory values of Cars sold above is recorded as the Cost of Sales in this account.

Debits	Credits
1. Cost of new cars sold resulting from Internet promotions recorded in Accounts 600-618	

Example 1

Record the sale of a new vehicle for the amount of \$17,571 and a cost of \$16,721 resulting from Internet promotions.

Journal: Statistical Data

Entry:		Debit	Credit
Account 419	Sales – New Cars – Internet		\$17,571
Account 619	Cost of Sales – New Cars – Internet	\$16,721	

Comments

The Internet Sales for each respective Division should be recorded as indicated in the table below:

Account	(A)	(B)	(C)	(D)	(E)	(H)	(J)
419/619	Chevrolet	Pontiac	Oldsmobile	Buick	Cadillac	Saturn	Other Non-GM

420 New Cars - Fleet

Sales

New Vehicle Department

Sales Synopsis

New Cars, which are sold to qualified Fleet customers, are recorded in this account.

Debits	Credits
	1. Actual selling price of new cars sold to fleet customers

620 New Cars - Fleet

Cost of Sales

New Vehicle Department

Cost of Sales Synopsis

The inventory values of the New Cars, sold in the above account, are recorded in this Cost of Sale account.

Debits	Credits
1. Cost of new cars sold to fleet customers	1. Fleet incentive credits

Example 1

Record the sale of a new vehicle for the amount of \$17,071 to a Fleet customer. The sales tax is \$854 and the Registration Fees are \$125. The inventory value is \$16,721.

Journal: New Car Sales

Entry:		Debit	Credit
Account 220A	Accounts Receivable – Customer – Vehicles	\$18,050	
Account 620	Cost of Sales – New Cars – Fleet	\$16,721	
Account 420	Sales – New Cars – Fleet		\$17,071
Account 231	New Car Inventory		\$16,721
Account 324A	Sales Taxes Payable – Excise Taxes		\$854

Account 910	Document Handling Fees		\$125
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Example 2

Record a fleet incentive of \$500 due on the above new vehicle sale.

Journal: New Car Sales and General Journal

Entry:		Debit	Credit
Account 261	Factory Receivables – Fleet Incentives	\$500	
Account 620	Cost of Sales – New Cars – Fleet		\$500

Comments

The Fleet Sales for each respective Division should be recorded as indicated in the table below:

Account	(A)	(B)	(C)	(D)	(E)	(H)	(J)
420/620	Chevrolet	Pontiac	Oldsmobile	Buick	Cadillac	Saturn	Other Non-GM

Note:

Incentives from GM offered as assistance for making Fleet Sales should be credited to Account 620, New Cars - Fleet (Cost of Sales), which has the effect of reducing the cost of sale. The off-setting debit is recorded to [Account 261, Factory Receivables](#).

421 New Cars - Internal

Sales

New Vehicle Department

Sales Synopsis

New Cars, which are sold to other departments within the dealership, are recorded in this account. For example, a car might be sold to the Mechanical Department as a courtesy vehicle.

Debits	Credits
	1. Internal selling price of new cars sold to other departments

621 New Cars - Internal

Cost of Sales

New Vehicle Department

Cost of Sales Synopsis

The inventory values of Cars sold above is recorded as the Cost of Sales in this account.

Debits	Credits
1. Cost of new cars sold to other departments	

Example 1

Record the \$16,921 sale of a new car to the Mechanical Department to be used as a loaner car for service customers. The inventory value is \$16,721.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 285	Company Vehicles	\$16,921	
Account 621	Cost of Sales – New Cars – Internal	\$16,721	
Account 231	New Car Inventory		\$16,721
Account 421	Sales – New Cars – Internal		\$16,921

Comments

The Internal Sales for each respective Division should be recorded as indicated in the table below:

Account	(A)	(B)	(C)	(D)	(E)	(H)	(J)
421/621	Chevrolet	Pontiac	Oldsmobile	Buick	Cadillac	Saturn	Other Non-GM

Internal sales of vehicles to other departments for permanent company service and for lease and rental service should be priced at cost plus \$200.

423-438 New Trucks - Retail

Sales

New Vehicle Department

Sales Synopsis

The sales of New GM Trucks sold at retail to end-users are recorded in Accounts 423 through 438.

Debits	Credits
	1. Actual selling price of new trucks sold to retail customers

623-638 New Trucks - Retail

Cost of Sales

New Vehicle Department

Cost of Sales Synopsis

The inventory values for the New Trucks sold above are recorded in the Cost of Sales Accounts 623 through 638.

Debits	Credits
1. Cost of new trucks sold to retail customers	1. Credits received from the factory on sales to General Motors' employees under the General Motors Employee Purchase Plan

Example 1

Record a new truck sale for the amount of \$41,551 with a finance contract reserve of \$1,297, sales tax of \$2,078 and Registration Fees of \$180. The inventory value is \$40,151.

Journal: New Truck Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$43,809	
Account 262	Due from Finance Companies	\$1,297	

Account 623-638	Cost of Sales – New Trucks – Retail	\$40,151	
Account 423-438	Sales – New Trucks – Retail		\$41,551
Account 237	New Trucks Inventory		\$40,151
Account 324A	Sales Taxes Payable – Excise Taxes		\$2,078
Account 806	Finance Income – New		\$1,297
Account 910	Document Handling Fees		\$180

Comments

New Truck Sales for each respective Division should be posted in the accounts as indicated in the current TB Edit file.

The selling price is credited to the Sales account and the inventory value is posted to the corresponding Cost of Sales account.

Dealer installed Accessories sold by the New Vehicle Department should be recorded in [Account 457, Accessories](#).

Each vehicle sale should be recorded at actual selling price. Actual selling price means the selling price to the customer less discounts and overallowances.

The manufacturer will designate the account number to assign to each model of vehicles sold as indicated in the table above.

Each vehicle sale should be costed individually. The cost of a new vehicle is defined in the Asset section under Vehicle Inventories (New Vehicles).

The cost of the vehicle should be determined from the Factory Invoice or other Vehicle Inventory record. If any items have not been posted to this record, refer to underlying repair orders and invoices to determine the vehicle's cost.

Factory price reductions, which occur after the sales of vehicles, are reductions of cost and should be credited to the appropriate vehicle cost of sales account.

Note:

New vehicles transferred to other authorized GM dealers are not sales and should not be recorded in these sales and cost of sales accounts. Sales and exchanges of new vehicles between GM dealerships should be recorded as inventory transfers, at the vehicle inventory value, through the applicable new vehicle inventory accounts.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-

accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

CHEVROLET

Cars	Sales	Cost of Sales		Trucks	Sales	Cost of Sales
	A/C	A/C			A/C	A/C
IMPALA	400A	600A		EXPRESS	425A	625A
SS	403A	603A		COLORADO	428A	628A
MALIBU	404A	604A		SILVERADO	429A	629A
CAMARO	405A	605A		AVALANCHE	430A	630A
CORVETTE	407A	607A		TAHOE	431A	631A
SPARK	408A	608A		SUBURBAN	432A	632A
AVEO	409A	609A		EQUINOX	434A	634A
CRUZE	411A	611A		HHR	435A	635A
VOLT	412A	612A		TRAVERSE	436A	636A
SONIC	413A	613A		MED C-T-W SERIES	437A	637A
OTHER CHEVY CAR	417A	617A		OTHER CHEVY TRUCK	438A	638A
OTHER CHEVY CAR	418A	618A				

BUICK

Cars	Sales	Cost of Sales		Trucks	Sales	Cost of Sales
	A/C	A/C			A/C	A/C
VERANO	400D	600D		ENCLAVE	425D	625D
REGAL	402D	602D		ENCORE	426D	626D
LUCERNE	404D	604D		OTHER BUICK TRUCK	438D	638D
LACROSSE	406D	606D				
OTHER BUICK CAR	418D	618D				

CADILLAC

Cars	Sales	Cost of Sales	Trucks	Sales	Cost of Sales
	A/C	A/C		A/C	A/C
DTS PLATINUM	400E	600E	ESCALADE PLATINUM	429E	629E
DTS	401E	601E	ESCALADE EXT	430E	630E
STS PLATINUM	402E	602E	ESCALADE	431E	631E
ELR	404E	604E	ESCALADE ESV	432E	632E
STS	405E	605E	ESCALADE ESV PLATINUM	433E	633E
SRX	406E	606E	OTHER CADILLAC TRUCK	438E	638E
CTS V	407E	607E			
CTS	408E	608E			
XTS	409E	609E			
ATS	410E	610E			
CTS SPORT WAGON	411E	611E			
OTHER CADILLAC CAR	418E	618E			

GMC TRUCK

Trucks	Sales	Cost of Sales
	A/C	A/C
ACADIA	423F	623F
TERRAIN	424F	624F
G-VAN (SAVANA)	425F	625F
CANYON	428F	628F
SIERRA	429F	629F
YUKON-DENALI	431F	631F
YUKON XL-DENALI	432F	632F
MED C-T-W SERIES	437F	637F
OTH GMC TRKS	438F	638F

OTHER NON-GM

Cars	Sales	Cost of Sales		Trucks	Sales	Cost of Sales
	A/C	A/C			A/C	A/C
OTH CAR - 1	400J	600J		OTH TRK - 1	423J	623J
OTH CAR - 2	401J	601J		OTH TRK - 2	424J	624J
OTH CAR - 3	402J	602J		OTH TRK - 3	425J	625J
OTH CAR - 4	403J	603J		OTH TRK - 4	426J	626J
OTH CAR - 5	404J	604J		OTH TRK - 5	427J	627J
OTH CAR - 6	405J	605J		OTH TRK - 6	428J	628J
OTH CAR - 7	406J	606J		OTH TRK - 7	429J	629J
OTH CAR - 8	407J	607J		OTH TRK - 8	430J	630J
OTH CAR - 9	408J	608J		OTH TRK - 9	431J	631J
OTH CAR - 10	409J	609J		OTH TRK - 10	432J	632J
OTH CAR - 11	410J	610J		OTH TRK - 11	433J	633J
OTH CAR - 12	411J	611J		OTH TRK - 12	434J	634J
OTH CAR - 13	412J	612J		OTH TRK - 13	435J	635J
OTH CAR - 14	413J	613J		OTH TRK - 14	436J	636J
OTH CAR - 15	414J	614J		OTH TRK - 15	437J	637J
OTH CAR - 16	415J	615J		OTH TRK - 16	438J	638J
OTH CAR - 17	416J	616J				
OTH CAR - 18	417J	617J				
OTH CAR - 19	418J	618J				

439 New Trucks – Internet (Memo Account)

Sales

New Vehicle Department

Sales Synopsis

Account 439, New Trucks - Internet, is established as a memo account only to “break-out” sales produced by the dealership’s Internet marketing efforts.

Debits	Credits
	1. Actual selling price of new trucks sold as a result of Internet activity recorded in Account 423 – 438 above

639 New Trucks – Internet (Memo Account)

Cost of Sales

New Vehicle Department

Cost of Sales Synopsis

The inventory values of Trucks sold above is recorded as the Cost of Sales in this account.

Debits	Credits
1. Cost of new trucks sold resulting from Internet promotions	

Example 1

Record the sale of a new truck for the amount of \$41,551 and a cost of \$40,151 as a result of Internet promotions.

Journal: Statistical Data

Entry:		Debit	Credit
Account 639	Cost of Sales – New Trucks – Internet	\$40,151	
Account 439	Sales – New Trucks – Internet		\$41,551

Comments

The Internet Sales for each respective Division should be recorded as indicated in the table below:

Account	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
439/639	Chevrolet	Pontiac	Oldsmobile	Buick	Cadillac	GMC Truck	Hummer	Saturn

440 New Trucks - Fleet

Sales

New Vehicle Department

Sales Synopsis

New Trucks, which are sold to qualified Fleet customers, are recorded in this account.

Debits	Credits
	1. Actual selling price of new trucks sold to fleet customers

640 New Trucks - Fleet

Cost of Sales

New Vehicle Department

Cost of Sales Synopsis

The inventory values of the New Trucks sold in the accounts above are recorded as the Cost of Sales in this account.

Debits	Credits
1. Cost of new trucks sold to fleet customers	

Example 1

Record a new truck sale for the amount of \$40,651 to a fleet customer. The sales tax is \$2,083 and the Registration Fees are \$180. The inventory value is \$40,151.

Journal: New Truck Sales

Entry:		Debit	Credit
Account 220A	Accounts Receivable – Customer – Vehicles	\$42,864	
Account 640	Cost of Sales – New Trucks – Fleet	\$40,151	
Account 440	Sales – New Trucks – Fleet		\$40,651
Account 237	New Trucks Inventory		\$40,151
Account 324A	Sales Taxes Payable – Excise Taxes		\$2,033

Account 910	Document Handling Fees		\$180
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Comments

The Fleet Sales for each respective Division should be recorded as indicated in the table below:

Account	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
440/640	Chevrolet	Pontiac	Oldsmobile	Buick	Cadillac	GMC Truck	Hummer	Saturn

Note:

Incentives from GM offered as assistance for making Fleet Sales should be credited to Account 640, New Trucks - Fleet (Cost of Sales), which has the effect of reducing the cost of sale. The off-setting debit is recorded in [Account 261, Factory Receivables](#).

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

441 New Trucks - Internal

Sales

New Vehicle Department

Sales Synopsis

New Trucks, which are sold to other departments within the dealership, are recorded in this account. For example, a pickup truck might be sold to the Parts Department as a delivery vehicle.

Debits	Credits
	1. Internal selling price of new trucks sold to other departments

641 New Trucks - Internal

Cost of Sales

New Vehicle Department

Cost of Sales Synopsis

The inventory values of the Trucks sold above are recorded as the Cost of Sale in this account.

Debits	Credits
1. Cost of new trucks sold to other departments	

Example 1

Record the \$30,841 sale of a truck to the Parts & Accessories Department to be used for deliveries. The inventory value is \$30,641.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 285	Company Vehicles	\$30,841	
Account 641	Cost of Sales – New Trucks – Internal	\$30,641	
Account 441	Sales – New Trucks – Internal		\$30,841
Account 237	New Truck Inventory		\$30,641

Comments

The Internal Sales for each respective Division should be recorded as indicated in the table below:

Account	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
441/641	Chevrolet	Pontiac	Oldsmobile	Buick	Cadillac	GMC Truck	Hummer	Saturn

Internal sales of vehicles to other departments for permanent company service and for lease and rental service should be priced at cost plus \$200.

445 New Other Automotive

Sales

New Vehicle Department

Sales Synopsis

All New Other Automotive products, recorded in [Account 238, Other Automotive](#) (Inventory), sold at retail to end-users and other departments are recorded in this account.

Debits	Credits
	1. Actual selling price of New Other Automotive items recorded in Account 238, Other Automotive sold to customers and other departments

645 New Other Automotive

Cost of Sales

New Vehicle Department

Cost of Sales Synopsis

The inventory values of New Other Automotive items sold are recorded as the Cost of Sales in this account.

Debits	Credits
1. Cost of new other automotive items recorded as sales in Account 445, New Other Automotive	
2. Write-down of new items in Account 238, Other Automotive (Inventory) to market values	

Example 1

Record a new motorcycle sale for the amount of \$37,500, sales tax of \$1,875 and Registration Fees of \$80. The inventory value is \$35,000.

Journal: New Other Automotive Sales

Entry:		Debit	Credit
Account 220C	Accounts Receivables – Customers – Other Automotive	\$39,455	
Account 645	Cost of Sales – New Other Automotive	\$35,000	
Account 445	Sales – New Other Automotive		\$37,500
Account 238	Inventory – Other Automotive		\$35,000
Account 324A	Sales Taxes Payable – Excise Taxes		\$1,875
Account 910	Document Handling Fees		\$80

Note:

This account is displayed on page 7, line 69 of the monthly Operating Report.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

457 Accessories

Sales

New Vehicle Department

Sales Synopsis

This account is established to record the sales of dealer installed Accessories sold by the New Vehicle Department.

Debits	Credits
	1. The sales amount of Accessories sold through the New Vehicle Department

657 Accessories

Cost of Sales

New Vehicle Department

Cost of Sales Synopsis

The inventory value of dealer installed Accessories sold in the account above is recorded as the Cost of Sales in this account.

Debits	Credits
1. The cost of Accessories sold in Account 457, Accessories (Sales)	

Example 1

Record a new vehicle sale for the amount of \$17,571 with an accessory sale of \$450. The finance contract reserve is \$300, sales tax is \$901 and Registration Fees are \$125. The inventory value of the vehicle is \$16,971, which includes a \$250 cost for the accessory.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$19,047	
Account 262	Due from Finance Companies	\$300	

Account 600-618	Cost of Sales – New Cars – Retail	\$16,721	
Account 657	Cost of Sales – Accessories	\$250	
Account 400-418	Sales – New Cars – Retail		\$17,571
Account 457	Sales – Accessories		\$450
Account 231	New Car Inventory		\$16,971
Account 324A	Sales Taxes Payable – Excise Taxes		\$901
Account 806	Finance Income – New		\$300
Account 910	Document Handling Fees		\$125

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

494 Divisional Extended Warranties (Sales)

*Sales; Finance & Insurance Activity
New Vehicle Department*

Sales Synopsis

The sales of Divisional Extended Warranties are recorded in Accounts 494A, 494D, 494E, & 494F. These accounts are shown on each of the divisional pages of the operating report. The totals of all these accounts are summed into account 494 that is shown on page 7 in the Finance, Insurance & Protection Plan Activity section.

Debits	Credits
1. Chargebacks due to early termination	1. The selling price of Divisional Extended Warranties sold with New Vehicles

694 Divisional Extended Warranties (Cost of Sales)

*Sales; Finance & Insurance Activity
New Vehicle Department*

Cost of Sales Synopsis

The Cost of Sales from Divisional Extended Warranties are recorded in Accounts 694A, 694D, 694E, & 694F. The sales and gross profit is shown on each of the divisional pages of the operating report. The totals of all these accounts are summed into account 694 that is shown on page 7 in the Finance, Insurance & Protection Plan Activity section.

Debits	Credits
1. The Cost of Sales of Divisional Extended Warranties sold with New Vehicles	

Example 1

Record a new vehicles sale for the amount of \$17,871 with a GM Divisional Extended Warranty of \$1,570, sales tax of \$893, finance commissions earned of \$300 and Document Handling Fees of \$125. The inventory value is \$16,421 and the cost of the GM Divisional Extended Warranty is \$1,020.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$20,459	
Account 262	Due from Finance Companies	\$300	
Account 600-618	Cost of Sales - New Cars - Retail	\$16,421	
Account 694A	Cost of Sales - Divisional Extended Warranties	\$1,020	
Account 400-418	Sales - New Cars - Retail		\$17,871
Account 494A	Sales - Divisional Extended Warranties		\$1,570
Account 231	Inventory - New Cars		\$16,421
Account 300	Accounts Payable – Trade Creditors		\$1,020
Account 324A	Sales Taxes Payable – Excise Taxes		\$893
Account 806	Finance Income - New		\$300
Account 910	Document Handling Fees		\$125

Used Vehicles

446A Used Cars Retail - Certified

Sales

Used Vehicle Department

Sales Synopsis

This account is established to record the sale of GM Certified Used Cars sold at retail to end-users. (Certified Cars for Other manufacturers are recorded in [Account 446B, Used Cars Retail - Other](#)).

Debits	Credits
	1. Actual selling price of GM Certified Used Cars sold to retail customers

646A Used Cars Retail - Certified

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

This account is established to record the Cost of Sales for vehicles sold in the above account (Account 446A, Used Cars Retail - Certified)

Debits	Credits
1. Inventory value, LESS reconditioning, of Certified Used Cars sold to retail customers	1. Credits received from the factory for sales to General Motors Employees under the GM Employee Purchase Plan

Example 1

Record a Certified Used Car sale in the amount of \$16,695. The sales tax is \$835 and the Registration Fees are \$125. The inventory value is \$15,195 of which \$400 is due to Reconditioning.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 220A	Accounts Receivable – Customer – Vehicles	\$17,655	
Account 646A	Cost of Sales – Used Car Retail – Certified	\$14,795	
Account 647A	Reconditioning – Cert. Used Cars	\$400	
Account 240	Inventory – Used Cars		\$15,195
Account 446A	Sales – Used Cars Retail – Certified		\$16,695
Account 324A	Sales Taxes Payable – Excise Taxes		\$835
Account 910	Document Handling Fees		\$125

Comments

As Used Cars are acquired, a timely determination must be made as to whether the Used Car is eligible to be sold under the GM Certified program. If the vehicle is eligible, then it must be reconditioned according to program rules and promptly Certified. When the Certified Used Car is sold at retail, the sale and cost of sales are recorded in these accounts.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

446B Used Cars Retail - Other

Sales

Used Vehicle Department

Sales Synopsis

This account is established to record the Retail sales of Other Used Cars, which are not eligible for the GM Certified Used Car program.

Debits	Credits
	1. The selling price of all Other Used Cars sold to end users

646B Used Cars Retail - Other

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

This account is established to record the inventory value (less Reconditioning) of Other Used Cars sold in Account 446B, Used Cars Retail - Other, above.

Debits	Credits
1. The inventory value, LESS Reconditioning, of Other Used Cars sold to Retail customers	

Example 1

Record an Other Used Car sale in the amount of \$17,076 paid partly with a \$14,055 finance contract and \$4,000 from the trade-in. The finance contract reserve is \$853, sales tax is \$854 and Registration Fees are \$125. The inventory value of the used vehicle sold is \$15,876 of which \$876 is due to Reconditioning.

Journal: Used Car Sales

Entry:		Debit	Credit

Account 205	Contracts in Transit	\$14,055	
Account 262	Due from Finance Companies	\$853	
Account 646B	Cost of Sales – Used Cars Retail – Other	\$15,000	
Account 647B	Reconditioning – Used Cars Other	\$876	
Account 240	Inventory – Used Cars	\$4,000	
Account 446B	Sales – Used Cars Retail – Other		\$17,076
Account 240	Inventory – Used Cars		\$15,876
Account 324A	Sales Taxes Payable – Excise Taxes		\$854
Account 808	Finance Income – Used		\$853
Account 910	Document Handling Fees		\$125

Comments

Used Cars, which do **not** qualify to be marketed as GM Certified, are to be recorded in these Sales and Cost of Sales accounts. As Used Cars are acquired, they should be placed in inventory by debiting [Account 240, Used Cars](#) (Inventory) at the lower of either cost or market value. The Used Car manager should immediately prepare an Internal Repair Order to have the necessary Reconditioning performed. The cost of the Reconditioning work is also debited to [Account 240, Used Cars](#) (Inventory). When Used Cars are sold at retail to end users, the sale and cost of sale, less reconditioning, respectively are posted to Account 446B, Used Cars Retail - Other (Sales) and Account 646B, Used Cars Retail – Other (Cost of Sales).

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

448 Used Cars Wholesale

Sales

Used Vehicle Department

Sales Synopsis

This account is established to record the sale of Used Cars to other re-sellers such as other automobile dealers, used car lots, wholesalers and salvage yards.

Debits	Credits
	<ol style="list-style-type: none">1. Actual selling price of Used Cars sold to other dealers for the purpose of resale2. Actual selling price of Used Cars sold at auctions3. Actual selling price of Used Cars sold to wholesalers4. Actual selling price of Used Cars sold to junk dealers5. Revenue from the scrapping of Used Cars

648 Used Cars Wholesale

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

This account is established to record the Cost of Sales of Used Cars sold as wholesale units recorded in Account 448, Used Cars Wholesale.

Debits	Credits
<ol style="list-style-type: none">1. Inventory value, INCLUDING reconditioning, of Used Cars sold to customers for the purpose of resale	

Example 1

Record a used car wholesaled in the amount of \$5,000 with an inventory value of \$5,000.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 220A	Accounts Receivable – Customers – Vehicles	\$5,000	
Account 648	Cost of Sales – Used Cars Wholesale	\$5,500	
Account 448	Sales – Used Cars Wholesale		\$5,000
Account 240	Inventory – Used Cars		\$5,500

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

450A Used Trucks Retail - Certified

Sales

Used Vehicle Department

Sales Synopsis

This account is established to record the sale of GM Certified Used Trucks sold at retail to end-users. (Certified Trucks for Other manufacturers are recorded in [Account 450B, Used Trucks Retail - Other](#))

Debits	Credits
	1. Actual selling price of GM Certified Used Trucks sold to retail customers

650A Used Trucks Retail - Certified

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

This account is established to record the Cost of Sales for vehicles sold in the account above (Account 450A, Used Trucks Retail - Certified)

Debits	Credits
1. Inventory value, LESS reconditioning, of GM Certified Used Trucks sold to retail customers	1. Credits received from the factory for sales to General Motors' employees under the General Motors Employee Purchase Plan

Example 1

Record a Certified Used Truck sale in the amount of \$23,386 paid partly with a finance contract of \$16,735 and an \$8,000 used truck traded-in. The finance contract reserve is \$453, sales tax is \$1,169 and Registration Fees are \$180. The inventory value of the used truck sold is \$21,986 of which \$786 is for Reconditioning.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$16,735	
Account 262	Due from Finance Companies	\$453	
Account 650A	Cost of Sales – Used Trucks Retail – Certified	\$21,200	
Account 651A	Reconditioning – Cert. Used Trucks	\$786	
Account 241	Inventory – Used Trucks	\$8,000	
Account 450A	Sales – Used Trucks Retail – Certified		\$23,386
Account 241	Inventory – Used Trucks		\$21,986
Account 324A	Sales Taxes Payable – Excise Taxes		\$1,169
Account 808	Finance Income – Used		\$453
Account 910	Document Handling Fees		\$180

Comments

As Used Trucks are acquired, a timely determination must be made as to whether the Used Truck is eligible to be sold under the GM Certified program. If the vehicle is eligible, then it must be reconditioned according to program rules and promptly Certified. When the Certified Used Car is sold at retail, the sale and cost of sales are recorded in these accounts.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

450B Used Trucks Retail - Other

Sales

Used Vehicle Department

Sales Synopsis

This account is established to record the Retail sales of Other Used Trucks, which are not eligible for the GM Certified Used Truck program.

Debits	Credits
	1. The selling price of Other, non-GM Certified, Trucks

650B Used Trucks Retail - Other

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

This account is established to record the inventory value (less Reconditioning) of Other Used Trucks sold in Account 450B, Used Trucks Retail - Other, above.

Debits	Credits
1. The inventory value, LESS Reconditioning, of Other Used Trucks sold to Retail customers	

Example 1

Record a Used Truck - Other sale in the amount of \$22,283 with a finance contract reserve of \$865, sales tax of \$1,114 and Registration Fees of \$180. The inventory value is \$21,083 of which \$1,083 is due to Reconditioning.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$23,577	

Account 262	Due from Finance Companies	\$865	
Account 650B	Cost of Sales – Used Trucks Retail – Other	\$20,000	
Account 651B	Reconditioning – Cert. Used Trucks	\$1,083	
Account 450B	Sales – Used Trucks Retail – Other		\$22,283
Account 241	Inventory – Used Trucks		\$21,083
Account 324A	Sales Taxes Payable – Excise Taxes		\$1,114
Account 808	Finance Income – Used		\$865
Account 910	Document Handling Fees		\$180

Comments

Used Trucks, which do **not** qualify to be marketed as GM Certified, are to be recorded in these Sales and Cost of Sales accounts. As Used Trucks are acquired, they should be placed in inventory by debiting [Account 241, Used Trucks](#) (Inventory) at the lower of cost or market. The Used Vehicle manager should immediately prepare an Internal Repair Order to have the necessary Reconditioning performed. The cost of the Reconditioning work is also debited to [Account 241, Used Trucks](#) (Inventory). When Used Trucks are sold at retail to end users, the sale and cost of sale respectively are posted to Account 450B, Used Trucks Retail - Other (Sales) and Account 650B, Used Trucks Retail – Other (Cost of Sales).

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

452 Used Trucks - Wholesale

Sales

Used Vehicle Department

Sales Synopsis

This account is established to record the sale of Used Trucks to other re-sellers such as other automobile dealers, used car lots, wholesalers and salvage yards.

Debits	Credits
	<ol style="list-style-type: none">1. Actual selling price of Used Trucks sold to other dealers for the purpose of resale2. Actual selling price of Used Trucks sold at auctions3. Actual selling price of Used Trucks sold to wholesalers4. Actual selling price of Used Trucks sold to junk dealers5. Revenue from the scrapping of Used Trucks

652 Used Trucks - Wholesale

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

This account is established to record the Cost of Sales of Used Trucks sold as wholesale units recorded in Account 452, Used Trucks - Wholesale.

Debits	Credits
<ol style="list-style-type: none">1. Inventory value, INCLUDING reconditioning, of Used Trucks sold to customers for the purpose of resale	

Example 1

Record a used truck wholesaled in the amount of \$12,000 with an inventory value of \$11,500.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 220A	Accounts Receivable – Customers – Vehicles	\$12,000	
Account 652	Cost of Sales – Used Trucks – Wholesale	\$11,500	
Account 452	Sales – Used Trucks – Wholesale		\$12,000
Account 241	Inventory – Used Trucks		\$11,500

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

456 Used Other Automotive

Sales

Used Vehicle Department

Sales Synopsis

Account 456, Used Other Automotive is established to record the sale of Used Other Automotive inventory maintained in [Account 238, Other Automotive](#) (Inventory) sold at retail to end users and other departments.

Debits	Credits
	1. Actual selling price of Used Other Automotive items recorded in Account 238, Other Automotive sold to customers and other departments

656 Used Other Automotive

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

The purpose of this account is to record the Cost of Sales of items sold in Account 456, Used Other Automotive, above.

Debits	Credits
1. Cost of Used Other Automotive items recorded as sales in Account 456, Used Other Automotive	
2. Monthly writedown of used items in Account 238, Other Automotive (Inventory) to current wholesale values	

Example 1

Record the sale of a used motorcycle in the amount of \$25,000 with sales tax of \$1,250 and Registration Fees of \$80. The inventory value is \$23,500.

Journal: Used Other Automotive Sales

Entry:		Debit	Credit
Account 201	Cash on Hand	\$26,330	
Account 656	Cost of Sales – Used Other Automotive	\$23,500	
Account 456	Sales – Used Other Automotive		\$25,000
Account 238	Inventory – Other Automotive		\$23,500
Account 324A	Sales Taxes Payable – Excise Taxes		\$1,250
Account 910	Document Handling Fees		\$80

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

647A Reconditioning – Certified Used Cars

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

This account is established to record the amount of Reconditioning performed on GM Certified Used Cars in order to prepare each unit for sale.

Debits	Credits
1. Reconditioning cost of GM Certified Used Cars sold to retail customers	

Example 1

Record a Certified Used Car sale in the amount of \$16,695. The sales tax is \$835 and the Registration Fees are \$125. The inventory value is \$15,195 of which \$400 is due to Reconditioning.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 220A	Accounts Receivable – Customer – Vehicles	\$17,655	
Account 646A	Cost of Sales – Used Car Retail – Certified	\$14,795	
Account 647A	Reconditioning – Cert. Used Cars	\$400	
Account 240	Inventory – Used Cars		\$15,195
Account 446A	Sales – Used Cars Retail – Certified		\$16,695
Account 324A	Sales Taxes Payable – Excise Taxes		\$835
Account 910	Document Handling Fees		\$125

Comments

At the time of appraisal, an assessment of repairs necessary to recondition the vehicle for sale should be made. After the unit is placed in inventory and recorded in [Account 240, Used Cars](#) (Inventory), the Used Vehicle Manager should immediately prepare an Internal Repair Order describing the repair work to be completed. When the repairs are completed, the Internal Sale should be added to the vehicle inventory record and debited to [Account 240, Used Cars](#).

As each Certified Used Car is sold at retail, the total amount of Reconditioning performed is to be debited to this account and credited to [Account 240, Used Cars](#).

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

647B Reconditioning – Other Used Cars

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

Account 647B, Reconditioning – Other Used Cars is established to record the cost of Reconditioning of non-GM Certified Used Cars.

Debits	Credits
1. The Reconditioning cost of Other, non-GM Certified, Used Cars sold to retail customers	

Example 1

Record an Other Used Car sale in the amount of \$17,076 paid partly with a \$14,055 finance contract and \$4,000 from the trade-in. The finance contract reserve is \$853, sales tax is \$854 and Registration Fees are \$125. The inventory value of the used vehicle sold is \$15,876 of which \$876 is due to Reconditioning.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$14,055	
Account 262	Due from Finance Companies	\$853	
Account 646B	Cost of Sales – Used Cars Retail – Other	\$15,000	
Account 647B	Reconditioning – Used Cars Other	\$876	
Account 240	Inventory – Used Cars	\$4,000	
Account 446B	Sales – Used Cars Retail – Other		\$17,076
Account 240	Inventory – Used Cars		\$15,876
Account 324A	Sales Taxes Payable – Excise Taxes		\$854
Account 808	Finance Income – Used		\$853
Account 910	Document Handling Fees		\$125

Comments

The Used Car manager is responsible for appraising Used Cars at the time of acquisition. The appraisal should include an estimate of necessary Reconditioning work in order to prepare the vehicle for sale. The Used Car manager should prepare the Internal Repair order to have the Reconditioning performed. The cost of Reconditioning

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should be charged to the vehicle by debiting [Account 240, Used Cars](#) (Inventory). When the vehicle is sold at retail to an end user, the Reconditioning cost is debited to this account.

Note:

The amount of Reconditioning done on Used Cars is an important statistic, which serves as feedback to inform management about the accuracy of the appraisal, the decision to sell the Car as a retail unit and the effectiveness of the Mechanical Department to perform the work. A comparison between the amount of Reconditioning and the Gross Profit is an indication of the return on the unit sold.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

649 Adjustment – Used Car Inventory

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

Account 649, Adjustment – Used Car Inventory is established to record the amount required to bring the inventory in line with current market values.

Debits	Credits
1. Monthly writedown of used cars to appraised wholesale values	

Example 1

Record the \$550 write-down of a used car that has been in inventory over 180 days.

Journal: General Journal

Entry:		Debit	Credit
Account 649	Adjustment – Used Car Inventory	\$550	
Account 240	Inventory – Used Cars		\$550

651A Reconditioning – Certified Used Trucks

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

This account is established to record the amount of Reconditioning performed on GM Certified Used Trucks in order to prepare each unit for sale.

Debits	Credits
1. Reconditioning cost of GM Certified Used Trucks sold to retail customers	

Example 1

Record a Certified Used Truck sale in the amount of \$23,386 with a finance contract reserve of \$968, sales tax of \$1,169 and Registration fees of \$180. The inventory value is \$21,986 of which \$786 is due to Reconditioning.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$24,735	
Account 262	Due from Finance Companies	\$968	
Account 650A	Cost of Sales – Used Trucks Retail – Certified	\$21,200	
Account 651A	Reconditioning – Cert. Used Trucks	\$786	
Account 450A	Sales – Used Trucks Retail – Certified		\$23,386
Account 241	Inventory – Used Trucks		\$21,986
Account 324A	Sales Taxes Payable – Excise Taxes		\$1,169
Account 808	Finance Income – Used		\$968
Account 910	Document Handling Fees		\$180

Comments

At the time of appraisal, an assessment of repairs necessary to recondition the vehicle for sale should be made. After the unit is placed in inventory and recorded in [Account 241, Used Trucks](#) (Inventory), the Used Vehicle Manager should immediately prepare an Internal Repair Order describing the repair work to be completed. When the repairs are completed, the cost of the Internal Sale should be added to the vehicle inventory record and debited to [Account 241, Used Trucks](#).

As each Certified Used Truck is sold at retail, the total amount of Reconditioning performed is to be debited to this account and credited to [Account 241, Used Trucks](#).

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

651B Reconditioning – Other Used Trucks

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

Account 651B, Reconditioning – Other Used Trucks is established to record the cost of Reconditioning of non-GM Certified Used Trucks.

Debits	Credits
1. The Reconditioning cost of Other, non-GM Certified, Used Trucks sold to retail customers	

Example 1

Record a Used Truck - Other sale in the amount of \$22,283 with a finance contract reserve of \$865, sales tax of \$1,114 and Registration Fees of \$180. The inventory value is \$21,083 of which \$1,083 is due to Reconditioning.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$23,577	
Account 262	Due from Finance Companies	\$865	
Account 650B	Cost of Sales – Used Trucks Retail – Other	\$20,000	
Account 651B	Reconditioning – Cert. Used Trucks	\$1,083	
Account 450B	Sales – Used Trucks Retail – Other		\$22,283
Account 241	Inventory – Used Trucks		\$21,083
Account 324A	Sales Taxes Payable – Excise Taxes		\$1,114
Account 808	Finance Income – Used		\$865
Account 910	Document Handling Fees		\$180

Comments

The Used Vehicle manager is responsible for appraising Used Trucks at the time of acquisition. The appraisal should include an estimate of necessary Reconditioning work in order to prepare the vehicle for sale. The Used Vehicle manager should prepare the Internal Repair order to have the Reconditioning performed. The cost of Reconditioning should be charged to the vehicle by debiting [Account 241, Used Trucks](#)

(Inventory). When the vehicle is sold at retail to an end user, the Reconditioning cost is debited to this account.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

653 Adjustment – Used Truck Inventory

Cost of Sales

Used Vehicle Department

Cost of Sales Synopsis

Account 653, Adjustment – Used Truck Inventory is established to record the amount required to bring the inventory in line with current market values.

Debits	Credits
1. Monthly writedown of Used Trucks to appraised wholesale values	

Example 1

Record the \$200 write-down of a used truck in inventory.

Journal: General Journal

Entry:		Debit	Credit
Account 653	Adjustment – Used Truck Inventory	\$200	
Account 241	Inventory – Used Trucks		\$200

Fixed Operations

460A Customer Labor – Cars & Light Duty Trucks

461A Customer Labor – Commercial, Fleet, & Medium Duty Trucks

Sales

Fixed Operations

Sales Synopsis

Accounts 460A and 461A are established to record Mechanical Labor sales paid directly by customers for repairs performed by the Mechanical Department. Account 460A is for Cars & Light Duty Trucks and Account 461A is for Commercial, Fleet, & Medium Duty Trucks.

Debits	Credits
	<ol style="list-style-type: none">1. Actual selling price of mechanical labor sold to customers2. Revenue from sources such as towing, battery-charge services and washes in connection with mechanical repairs

660A Customer Labor – Cars & Light Duty Trucks

661A Customer Labor – Commercial, Fleet, & Medium Duty Trucks

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Accounts 660A and 661A, respectively, are established to record the Cost of Sales, which is defined as compensation paid to technicians, for customer paid Mechanical Labor.

Debits	Credits
<ol style="list-style-type: none">1. Cost of mechanical labor sold to customers	

Example 1

Record a customer cash sale of \$618 for mechanical labor and parts. The customer labor is \$340. The part sale is \$250. The sales tax is \$13 and the shop supplies are \$15. The cost of the labor is \$100. The parts cost is \$80 and the cost of the shop supplies is \$10.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$618	
Account 660A	Cost of Sales – Customer Labor – Cars & Light Trucks	\$100	
Account 667	Cost of Sales – Parts Mechanical Repair Orders & Light Duty Trucks	\$80	
Account 669	Cost of Sales – Shop Supplies	\$10	
Account 242	Inventory – Parts & Accessories		\$80
Account 242	Inventory – Parts & Accessories		\$10
Account 247A	Inventory – Work in Process - Mechanical		\$100
Account 324	Sales Taxes Payable		\$13
Account 460A	Sales – Customer Labor – Cars & Light Duty Trucks		\$340
Account 467	Sales – Parts Mechanical Repair Orders & Light Duty Trucks		\$250
Account 469	Sales - Shop Supplies		\$15

Example 2

Record a customer cash sale of \$1,326 for mechanical labor and parts. The customer labor is \$500. The parts sale is \$750. The sales tax is \$38 and the shop supplies are \$38. The cost of the labor is \$125. The parts cost is \$500 and the cost of the shop supplies is \$28.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$1,326	
Account 661A	Cost of Sales – Customer Labor – Commercial, Fleet & Medium Duty Trucks	\$125	
Account 668	Cost of Sales – Parts Mechanical Repair Orders Commercial, Fleet, & Medium Duty Trucks	\$500	
Account 669	Cost of Sales – Shop Supplies	\$28	

Account 242	Inventory – Parts & Accessories		\$500
Account 242	Inventory – Parts & Accessories		\$28
Account 247A	Inventory – Work in Process – Mechanical		\$125
Account 324	Sales Taxes Payable		\$38
Account 461A	Sales – Customer Labor – Commercial, Fleet, & Medium Duty Trucks		\$500
Account 468	Sales – Parts Mechanical Repair Orders Commercial, Fleet, & Medium Duty Trucks		\$750
Account 469	Sales – Shop Supplies		\$38

Note:

Labor sales can be cost either on an actual basis or on a percentage basis. However, it is recommended that whenever practicable labor sales be costed on actual basis because material losses of productive time may be concealed by the inaccuracies inherent in percentage costing methods. Such inaccuracies can result from failure to update costing percentages when changes occur in the compensation of technicians and in the structural of selling prices of labor, and from other reasons.

The following examples show how labor may be costed under various compensation plans:

1. Technicians are paid on a flat rate hour and customers are billed on a flat rate hour.
 - Actual costing may be accompanied by multiplying the technician’s flat rate by the flat rate hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.
2. Technicians are paid an hourly rate and customers are billed on a flat rate hour.
 - Actual costing may be accomplished by multiplying the technician’s hourly rate by the hours spent on a particular job.
 - Percentage costing cannot be accomplished with any degree of accuracy.
3. Technicians are paid on an hourly rate and customers are billed on an hourly rate.
 - Actual costing may be accomplished by multiplying the technician’s hourly rate by the hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.
4. Technicians are paid a percentage of customer labor sales.

- Actual costing may be accomplished by multiplying each labor sale by the percentage received by the technician. Actual costing may also be accomplished by applying the percentage to the total labor sales at the month end.
- Percentage costing does not apply under these conditions.

5. Technicians are paid a minimum guarantee with additional compensation based on production which cannot be determined until the end of a pay period.

- Actual costing cannot be accomplished.
- Percentage costing, in this instance, may be accomplished as illustrated below with the exception of Step #1, which should be revised as follows:

• Total Productive Wages including incentives (8 Technicians for a 12 week test period)	\$54,910
• Total Hours Worked	/ 3,800
• Hourly Prime Cost of Labor	<u>\$14.45</u>

It is preferred that added incentive pay of technicians and compensation of technicians' helpers be comprehended in the costing of labor sales. Therefore such pay should be debited to Acct. 247. If this is not practicable, such pay should be debited to Acct. 665 and 675, as applicable.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

EXAMPLE FOR DEVELOPING PERCENTAGES TO BE USED IN COSTING LABOR SALES

STEP #1: Determine the weighted average hourly rate of technicians. This is the hourly prime cost of labor.

<u>Number of Technicians</u>		<u>Hourly Rate</u>		<u>Compensation</u>
2	X	\$16.00	=	\$32.00
3	X	\$17.00	=	\$51.00
<u>3</u>	X	\$15.00	=	<u>\$45.00</u>
TOTAL				<u>\$128.00</u>
				/ 8
		Hourly Prime	Cost of Labor	<u>\$16.00</u>

STEP #2: Determine the effective selling price of customer labor by sampling a consecutive number of repair orders.

• Total customer labor sales on repair orders examined	\$21,900
• Number of labor hours sold on repair orders examined	<u> / 500</u>
• Effective Customer Selling Price of Labor	\$43.80

STEP #3: Determine the percent of the effective customer selling price that represents cost.

• Hourly prime cost of labor (#1)	\$16.00
• Effective customer selling price of labor (#2)	<u> / 43.80</u>
• Costing percentage of Customer Labor Sales	<u> 36.5%</u>

STEP #4: Determine the percent of internal selling price that represents cost.

• Hourly prime cost of labor (#1)	\$16.00
• Internal selling price of labor	<u> / 39.42</u>
• Costing percentage of Customer Labor Sales	<u> 40.6%</u>

NOTE:

This study should be repeated whenever changes occur in either the hourly rate of technicians or the selling price of labor.

**460B Service Contracts Customer Labor –
Cars & Light Duty Trucks**

**461B Service Contracts Customer Labor –
Commercial, Fleet, & Medium Duty Trucks**

*Sales
Fixed Operations*

Sales Synopsis

Accounts 460B and 461B are established to record Service Contract Labor sales paid by Service Contract Underwriters including GMPP for repairs performed under Service Contract coverage by the Mechanical Department. Account 460B is for Cars & Light Duty Trucks and Account 461B is for Commercial, Fleet, & Medium Duty Trucks.

Debits	Credits
	<ol style="list-style-type: none">1. Actual selling price of mechanical labor performed under the coverage of Service Contracts2. Revenue from sources such as towing, battery-charge services and washes in connection with mechanical repairs

**660B Service Contract Customer Labor –
Cars & Light Duty Trucks**

**661B Service Contract Customer Labor –
Commercial, Fleet, & Medium Duty Trucks**

*Cost of Sales
Fixed Operations*

Cost of Sales Synopsis

Accounts 660B and 661B, respectively, are established to record the Cost of Sales, which is defined as compensation paid to technicians, for Service Contract Mechanical Labor.

Debits	Credits
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1. Cost of mechanical labor related to Service Contract labor sales	
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Example 1

Record a customer repair order for a service contract repair in the amount of \$305. The service contracts customer labor sale is \$170. The parts sale is \$120. The shop supplies are \$9 and the sales tax is \$6. The cost of the labor is \$40. The parts cost is \$80 and the shop supplies is \$7.

Journal: Service Sales - Charge

Entry:		Debit	Credit
Account 220B	Accounts Receivable – Customers – Service & Parts	\$305	
Account 660B	Cost of Sales – Service Contracts Customer Labor – Cars & Light Duty Trucks	\$40	
Account 667	Cost of Sales – Parts – Mechanical Repair Orders – Cars & Light Duty Trucks	\$80	
Account 669	Cost of Sales – Shop Supplies	\$7	
Account 242	Inventory – Parts & Accessories		\$80
Account 242	Inventory – Parts & Accessories		\$7
Account 247A	Inventory – Work in Process - Mechanical		\$40
Account 460B	Sales – Service Contracts Customer Labor – Cars & Light Duty Trucks		\$170
Account 467	Sales – Parts – Mechanical Repair Orders – Cars & Light Duty Trucks		\$120
Account 469	Sales – Shop Supplies		\$9
Account 324	Sales Taxes Payable		\$6

Example 2

Record a customer repair order for a service contract repair in the amount of \$443. The service contracts customer labor is \$200. The parts sale is \$220. The shop supplies are \$11 and the sales tax is \$12. The cost of the labor is \$50. The parts cost is \$150 and the shop supplies cost is \$8.

Journal: Service Sales - Charge

Entry:		Debit	Credit
Account 220B	Accounts Receivable – Customers – Service & Parts	\$443	
Account 661B	Cost of Sales – Service Contracts	\$50	

	Customer Labor — Commercial, Fleet, & Medium Duty Trucks		
Account 668	Cost of Sales – Parts – Mechanical Repair Orders – Commercial, Fleet, & Medium Duty Trucks	\$150	
Account 669	Cost of Sales – Shop Supplies	\$8	
Account 242	Inventory – Parts & Accessories		\$150
Account 242	Inventory – Parts & Accessories		\$8
Account 247A	Inventory – Work in Process – Mechanical		\$50
Account 461B	Sales – Service Contracts Customer Labor – Commercial, Fleet, & Medium Duty Trucks		\$200
Account 468	Sales – Parts – Mechanical Repair Orders – Commercial, Fleet, & Medium Duty Trucks		\$220
Account 469	Sales – Shop Supplies		\$11
Account 324	Sales Taxes Payable		\$12

Note:

Labor sales can be cost either on an actual basis or on a percentage basis. However, it is recommended that whenever practicable labor sales be costed on actual basis because material losses of productive time may be concealed by the inaccuracies inherent in percentage costing methods. Such inaccuracies can result from failure to update costing percentages when changes occur in the compensation of technicians and in the structural of selling prices of labor, and from other reasons.

The following examples show how labor may be costed under various compensation plans:

1. Technicians are paid on a flat rate hour and customers are billed on a flat rate hour.
 - Actual costing may be accompanied by multiplying the technician’s flat rate by the flat rate hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.
2. Technicians are paid an hourly rate and customers are billed on a flat rate hour.
 - Actual costing may be accomplished by multiplying the technician’s hourly rate by the hours spent on a particular job.
 - Percentage costing cannot be accomplished with any degree of accuracy.
3. Technicians are paid on an hourly rate and customers are billed on an hourly rate.

- Actual costing may be accomplished by multiplying the technician’s hourly rate by the hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.
4. Technicians are paid a percentage of customer labor sales.
- Actual costing may be accomplished by multiplying each labor sale by the percentage received by the technician. Actual costing may also be accomplished by applying the percentage to the total labor sales at the month end.
 - Percentage costing does not apply under these conditions.
5. Technicians are paid a minimum guarantee with additional compensation based on production which cannot be determined until the end of a pay period.
- Actual costing cannot be accomplished.
 - Percentage costing, in this instance, may be accomplished as illustrated below with the exception of Step #1, which should be revised as follows:
 - Total Productive Wages including incentives (8 Technicians for a 12 week test period) \$54,910
 - Total Hours Worked / 3,800
 - Hourly Prime Cost of Labor \$14.45

It is preferred that added incentive pay of technicians and compensation of technicians’ helpers be comprehended in the costing of labor sales. Therefore such pay should be debited to Acct. 247. If this is not practicable, such pay should be debited to Acct. 665 and 675, as applicable.

EXAMPLE FOR DEVELOPING PERCENTAGES TO BE USED IN COSTING LABOR SALES

STEP #1: Determine the weighted average hourly rate of technicians. This is the hourly prime cost of labor.

Number of Technicians		Hourly Rate		Compensation
2	X	\$16.00	=	\$32.00
3	X	\$17.00	=	\$51.00
3	X	\$15.00	=	\$45.00
TOTAL		8		\$128.00
				/ 8
		Hourly PrimeCost of Labor		\$16.00

STEP #2: Determine the effective selling price of customer labor by sampling a consecutive number of repair orders.

• Total customer labor sales on repair orders examined	\$21,900
• Number of labor hours sold on repair orders examined	<u> / 500</u>
• Effective Customer Selling Price of Labor	\$43.80

STEP #3: Determine the percent of the effective customer selling price that represents cost.

• Hourly prime cost of labor (#1)	\$16.00
• Effective customer selling price of labor (#2)	<u> / 43.80</u>
• Costing percentage of Customer Labor Sales	<u> 36.5%</u>

STEP #4: Determine the percent of internal selling price that represents cost.

• Hourly prime cost of labor (#1)	\$16.00
• Internal selling price of labor	<u> / 39.42</u>
• Costing percentage of Customer Labor Sales	<u> 40.6%</u>

NOTE:

This study should be repeated whenever changes occur in either the hourly rate of technicians or the selling price of labor.

460C Quick Service Labor – Cars & Light Duty Trucks
461C Quick Service Labor – Commercial, Fleet, & Medium Duty Trucks

Sales
Fixed Operations

Sales Synopsis

Accounts 460C and 461C are established to record Labor sales paid by Customers for Quick Service maintenance performed by the Mechanical Department. Account 460C is for Cars & Light Duty Trucks and Account 461C is for Commercial, Fleet, & Medium Duty Trucks.

Debits	Credits
	<ol style="list-style-type: none"> 1. The selling price of Mechanical Labor sold to customers completed in designated Quick Service bays 2. The selling price of single line item mechanical labor such as: <ol style="list-style-type: none"> a. Lube, oil & Filter (LOF) b. Tire rotation c. Routine inspections

660C Quick Service Labor – Cars & Light Duty Trucks
661C Quick Service Labor – Commercial, Fleet, & Medium Duty Trucks

Cost of Sales
Fixed Operations

Cost of Sales Synopsis

Accounts 660C and 661C, respectively, are established to record the Cost of Sales, which is defined as compensation paid to technicians, for customer paid Quick Service Mechanical Labor.

Debits	Credits
1. Cost of mechanical labor related to Quick Service Labor sales	

Example 1

Record customer repair order for a lube, oil & filter in the amount of \$30. The quick service labor sale is \$10. The shop supplies are \$8, the parts sale is \$3, the gas, oil and grease sales are \$8 and the sales tax is \$1. The labor cost is \$3. The shop supplies cost is \$2, the parts cost is \$2 and the gas, oil and grease cost is \$6.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$30	
Account 660C	Cost of Sales – Quick Service Labor – Cars & Light Duty Trucks	\$3	
Account 669	Cost of Sales – Shop Supplies	\$2	
Account 678	Cost of Sales – Parts – Quick Service – Repair Orders	\$2	
Account 691	Cost of Sales – Gas, Oil & Grease	\$6	
Account 244	Inventory – Gas, Oil & Grease		\$6
Account 242`	Inventory – Parts & Accessories		\$2
Account 242	Inventory – Parts & Accessories		\$2
Account 247A	Inventory – Work in Process – Mechanical		\$3
Account 460C	Sales – Quick Service Labor – Cars & Light Duty Trucks		\$10
Account 469	Sales – Shop Supplies		\$8
Account 478	Sales – Parts – Quick Service – Repair Orders		\$3
Account 491	Sales – Gas, Oil & Grease		\$8
Account 324	Sales Taxes Payable		\$1

Comments

If the dealership has a Quick Service Bay, then all Mechanical Labor performed by the Quick Service Technicians should be recorded in these accounts. When single line item repairs are performed by technicians paid on a lower scale, the mechanical labor should be considered as Quick Service and recorded in these accounts.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

460A Customer Labor – Cars & Light Duty Trucks
461A Customer Labor – Commercial, Fleet, & Medium Duty Trucks

Sales
Fixed Operations

Sales Synopsis

Accounts 460A and 461A are established to record Mechanical Labor sales paid directly by customers for repairs performed by the Mechanical Department. Account 460A is for Cars & Light Duty Trucks and Account 461A is for Commercial, Fleet, & Medium Duty Trucks.

Debits	Credits
	<ol style="list-style-type: none"> 1. Actual selling price of mechanical labor sold to customers 2. Revenue from sources such as towing, battery-charge services and washes in connection with mechanical repairs

660A Customer Labor – Cars & Light Duty Trucks
661A Customer Labor – Commercial, Fleet, & Medium Duty Trucks

Cost of Sales
Fixed Operations

Cost of Sales Synopsis

Accounts 660A and 661A, respectively, are established to record the Cost of Sales, which is defined as compensation paid to technicians, for customer paid Mechanical Labor.

Debits	Credits
<ol style="list-style-type: none"> 1. Cost of mechanical labor sold to customers 	

Example 1

Record a customer cash sale of \$618 for mechanical labor and parts. The customer labor is \$340. The part sale is \$250. The sales tax is \$13 and the shop supplies are \$15. The cost of the labor is \$100. The parts cost is \$80 and the cost of the shop supplies is \$10.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$618	
Account 660A	Cost of Sales – Customer Labor – Cars & Light Trucks	\$100	
Account 667	Cost of Sales – Parts Mechanical Repair Orders & Light Duty Trucks	\$80	
Account 669	Cost of Sales – Shop Supplies	\$10	
Account 242	Inventory – Parts & Accessories		\$80
Account 242	Inventory – Parts & Accessories		\$10
Account 247A	Inventory – Work in Process - Mechanical		\$100
Account 324	Sales Taxes Payable		\$13
Account 460A	Sales – Customer Labor – Cars & Light Duty Trucks		\$340
Account 467	Sales – Parts Mechanical Repair Orders & Light Duty Trucks		\$250
Account 469	Sales - Shop Supplies		\$15

Example 2

Record a customer cash sale of \$1,326 for mechanical labor and parts. The customer labor is \$500. The parts sale is \$750. The sales tax is \$38 and the shop supplies are \$38. The cost of the labor is \$125. The parts cost is \$500 and the cost of the shop supplies is \$28.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$1,326	
Account 661A	Cost of Sales – Customer Labor – Commercial, Fleet & Medium Duty Trucks	\$125	
Account 668	Cost of Sales – Parts Mechanical Repair Orders Commercial, Fleet, & Medium Duty Trucks	\$500	
Account 669	Cost of Sales – Shop Supplies	\$28	
Account 242	Inventory – Parts & Accessories		\$500
Account 242	Inventory – Parts & Accessories		\$28
Account 247A	Inventory – Work in Process –		\$125

	Mechanical		
Account 324	Sales Taxes Payable		\$38
Account 461A	Sales – Customer Labor – Commercial, Fleet, & Medium Duty Trucks		\$500
Account 468	Sales – Parts Mechanical Repair Orders Commercial, Fleet, & Medium Duty Trucks		\$750
Account 469	Sales – Shop Supplies		\$38

Note:

Labor sales can be cost either on an actual basis or on a percentage basis. However, it is recommended that whenever practicable labor sales be costed on actual basis because material losses of productive time may be concealed by the inaccuracies inherent in percentage costing methods. Such inaccuracies can result from failure to update costing percentages when changes occur in the compensation of technicians and in the structural of selling prices of labor, and from other reasons.

The following examples show how labor may be costed under various compensation plans:

1. Technicians are paid on a flat rate hour and customers are billed on a flat rate hour.
 - Actual costing may be accompanied by multiplying the technician’s flat rate by the flat rate hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.
2. Technicians are paid an hourly rate and customers are billed on a flat rate hour.
 - Actual costing may be accomplished by multiplying the technician’s hourly rate by the hours spent on a particular job.
 - Percentage costing cannot be accomplished with any degree of accuracy.
3. Technicians are paid on an hourly rate and customers are billed on an hourly rate.
 - Actual costing may be accomplished by multiplying the technician’s hourly rate by the hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.
4. Technicians are paid a percentage of customer labor sales.
 - Actual costing may be accomplished by multiplying each labor sale by the percentage received by the technician. Actual costing may also be accomplished by applying the percentage to the total labor sales at the month end.
 - Percentage costing does not apply under these conditions.

5. Technicians are paid a minimum guarantee with additional compensation based on production which cannot be determined until the end of a pay period.

- Actual costing cannot be accomplished.
- Percentage costing, in this instance, may be accomplished as illustrated below with the exception of Step #1, which should be revised as follows:

• Total Productive Wages including incentives (8 Technicians for a 12 week test period)	\$54,910
• Total Hours Worked	/ 3,800
• Hourly Prime Cost of Labor	<u>\$14.45</u>

It is preferred that added incentive pay of technicians and compensation of technicians' helpers be comprehended in the costing of labor sales. Therefore such pay should be debited to Acct. 247. If this is not practicable, such pay should be debited to Acct. 665 and 675, as applicable.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

**EXAMPLE FOR DEVELOPING PERCENTAGES TO
BE USED IN COSTING LABOR SALES**

STEP #1: Determine the weighted average hourly rate of technicians. This is the hourly prime cost of labor.

<u>Number of Technicians</u>		<u>Hourly Rate</u>		<u>Compensation</u>
2	X	\$16.00	=	\$32.00
3	X	\$17.00	=	\$51.00
<u>3</u>	X	\$15.00	=	<u>\$45.00</u>
TOTAL <u>8</u>				<u>\$128.00</u>
				<u>/ 8</u>
		Hourly Prime	Cost of Labor	<u>\$16.00</u>

STEP #2: Determine the effective selling price of customer labor by sampling a consecutive number of repair orders.

- Total customer labor sales on repair orders examined \$21,900

- Number of labor hours sold on repair orders examined / 500
- Effective Customer Selling Price of Labor \$43.80

STEP #3: Determine the percent of the effective customer selling price that represents cost.

- Hourly prime cost of labor (#1) \$16.00
- Effective customer selling price of labor (#2) / 43.80
- Costing percentage of Customer Labor Sales 36.5%

STEP #4: Determine the percent of internal selling price that represents cost.

- Hourly prime cost of labor (#1) \$16.00
- Internal selling price of labor / 39.42
- Costing percentage of Customer Labor Sales 40.6%

NOTE:

This study should be repeated whenever changes occur in either the hourly rate of technicians or the selling price of labor.

**460B Service Contracts Customer Labor –
Cars & Light Duty Trucks**

**461B Service Contracts Customer Labor –
Commercial, Fleet, & Medium Duty Trucks**

*Sales
Fixed Operations*

Sales Synopsis

Accounts 460B and 461B are established to record Service Contract Labor sales paid by Service Contract Underwriters including GMPP for repairs performed under Service Contract coverage by the Mechanical Department. Account 460B is for Cars & Light Duty Trucks and Account 461B is for Commercial, Fleet, & Medium Duty Trucks.

Debits	Credits
	<ol style="list-style-type: none">1. Actual selling price of mechanical labor performed under the coverage of Service Contracts2. Revenue from sources such as towing, battery-charge services and washes in connection with mechanical repairs

**660B Service Contract Customer Labor –
Cars & Light Duty Trucks**

**661B Service Contract Customer Labor –
Commercial, Fleet, & Medium Duty Trucks**

*Cost of Sales
Fixed Operations*

Cost of Sales Synopsis

Accounts 660B and 661B, respectively, are established to record the Cost of Sales, which is defined as compensation paid to technicians, for Service Contract Mechanical Labor.

Debits	Credits
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1. Cost of mechanical labor related to Service Contract labor sales	
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Example 1

Record a customer repair order for a service contract repair in the amount of \$305. The service contracts customer labor sale is \$170. The parts sale is \$120. The shop supplies are \$9 and the sales tax is \$6. The cost of the labor is \$40. The parts cost is \$80 and the shop supplies is \$7.

Journal: Service Sales - Charge

Entry:		Debit	Credit
Account 220B	Accounts Receivable – Customers – Service & Parts	\$305	
Account 660B	Cost of Sales – Service Contracts Customer Labor – Cars & Light Duty Trucks	\$40	
Account 667	Cost of Sales – Parts – Mechanical Repair Orders – Cars & Light Duty Trucks	\$80	
Account 669	Cost of Sales – Shop Supplies	\$7	
Account 242	Inventory – Parts & Accessories		\$80
Account 242	Inventory – Parts & Accessories		\$7
Account 247A	Inventory – Work in Process - Mechanical		\$40
Account 460B	Sales – Service Contracts Customer Labor – Cars & Light Duty Trucks		\$170
Account 467	Sales – Parts – Mechanical Repair Orders – Cars & Light Duty Trucks		\$120
Account 469	Sales – Shop Supplies		\$9
Account 324	Sales Taxes Payable		\$6

Example 2

Record a customer repair order for a service contract repair in the amount of \$443. The service contracts customer labor is \$200. The parts sale is \$220. The shop supplies are \$11 and the sales tax is \$12. The cost of the labor is \$50. The parts cost is \$150 and the shop supplies cost is \$8.

Journal: Service Sales - Charge

Entry:		Debit	Credit
Account 220B	Accounts Receivable – Customers – Service & Parts	\$443	
Account 661B	Cost of Sales – Service Contracts	\$50	

	Customer Labor — Commercial, Fleet, & Medium Duty Trucks		
Account 668	Cost of Sales – Parts – Mechanical Repair Orders – Commercial, Fleet, & Medium Duty Trucks	\$150	
Account 669	Cost of Sales – Shop Supplies	\$8	
Account 242	Inventory – Parts & Accessories		\$150
Account 242	Inventory – Parts & Accessories		\$8
Account 247A	Inventory – Work in Process – Mechanical		\$50
Account 461B	Sales – Service Contracts Customer Labor – Commercial, Fleet, & Medium Duty Trucks		\$200
Account 468	Sales – Parts – Mechanical Repair Orders – Commercial, Fleet, & Medium Duty Trucks		\$220
Account 469	Sales – Shop Supplies		\$11
Account 324	Sales Taxes Payable		\$12

Note:

Labor sales can be cost either on an actual basis or on a percentage basis. However, it is recommended that whenever practicable labor sales be costed on actual basis because material losses of productive time may be concealed by the inaccuracies inherent in percentage costing methods. Such inaccuracies can result from failure to update costing percentages when changes occur in the compensation of technicians and in the structural of selling prices of labor, and from other reasons.

The following examples show how labor may be costed under various compensation plans:

1. Technicians are paid on a flat rate hour and customers are billed on a flat rate hour.
 - Actual costing may be accompanied by multiplying the technician’s flat rate by the flat rate hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.
2. Technicians are paid an hourly rate and customers are billed on a flat rate hour.
 - Actual costing may be accomplished by multiplying the technician’s hourly rate by the hours spent on a particular job.
 - Percentage costing cannot be accomplished with any degree of accuracy.
3. Technicians are paid on an hourly rate and customers are billed on an hourly rate.

- Actual costing may be accomplished by multiplying the technician’s hourly rate by the hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.
4. Technicians are paid a percentage of customer labor sales.
- Actual costing may be accomplished by multiplying each labor sale by the percentage received by the technician. Actual costing may also be accomplished by applying the percentage to the total labor sales at the month end.
 - Percentage costing does not apply under these conditions.
5. Technicians are paid a minimum guarantee with additional compensation based on production which cannot be determined until the end of a pay period.
- Actual costing cannot be accomplished.
 - Percentage costing, in this instance, may be accomplished as illustrated below with the exception of Step #1, which should be revised as follows:
 - Total Productive Wages including incentives (8 Technicians for a 12 week test period) \$54,910
 - Total Hours Worked / 3,800
 - Hourly Prime Cost of Labor \$14.45

It is preferred that added incentive pay of technicians and compensation of technicians’ helpers be comprehended in the costing of labor sales. Therefore such pay should be debited to Acct. 247. If this is not practicable, such pay should be debited to Acct. 665 and 675, as applicable.

EXAMPLE FOR DEVELOPING PERCENTAGES TO BE USED IN COSTING LABOR SALES

STEP #1: Determine the weighted average hourly rate of technicians. This is the hourly prime cost of labor.

Number of Technicians		Hourly Rate		Compensation
2	X	\$16.00	=	\$32.00
3	X	\$17.00	=	\$51.00
3	X	\$15.00	=	\$45.00
TOTAL		8		\$128.00
				/ 8
		Hourly Prime Cost of Labor		\$16.00

STEP #2: Determine the effective selling price of customer labor by sampling a consecutive number of repair orders.

• Total customer labor sales on repair orders examined	\$21,900
• Number of labor hours sold on repair orders examined	<u> / 500</u>
• Effective Customer Selling Price of Labor	\$43.80

STEP #3: Determine the percent of the effective customer selling price that represents cost.

• Hourly prime cost of labor (#1)	\$16.00
• Effective customer selling price of labor (#2)	<u> / 43.80</u>
• Costing percentage of Customer Labor Sales	<u> 36.5%</u>

STEP #4: Determine the percent of internal selling price that represents cost.

• Hourly prime cost of labor (#1)	\$16.00
• Internal selling price of labor	<u> / 39.42</u>
• Costing percentage of Customer Labor Sales	<u> 40.6%</u>

NOTE:

This study should be repeated whenever changes occur in either the hourly rate of technicians or the selling price of labor.

460C Quick Service Labor – Cars & Light Duty Trucks
461C Quick Service Labor – Commercial, Fleet, & Medium Duty Trucks

Sales
Fixed Operations

Sales Synopsis

Accounts 460C and 461C are established to record Labor sales paid by Customers for Quick Service maintenance performed by the Mechanical Department. Account 460C is for Cars & Light Duty Trucks and Account 461C is for Commercial, Fleet, & Medium Duty Trucks.

Debits	Credits
	<ol style="list-style-type: none"> 1. The selling price of Mechanical Labor sold to customers completed in designated Quick Service bays 2. The selling price of single line item mechanical labor such as: <ol style="list-style-type: none"> a. Lube, oil & Filter (LOF) b. Tire rotation c. Routine inspections

660C Quick Service Labor – Cars & Light Duty Trucks
661C Quick Service Labor – Commercial, Fleet, & Medium Duty Trucks

Cost of Sales
Fixed Operations

Cost of Sales Synopsis

Accounts 660C and 661C, respectively, are established to record the Cost of Sales, which is defined as compensation paid to technicians, for customer paid Quick Service Mechanical Labor.

Debits	Credits
1. Cost of mechanical labor related to Quick Service Labor sales	

Example 1

Record customer repair order for a lube, oil & filter in the amount of \$30. The quick service labor sale is \$10. The shop supplies are \$8, the parts sale is \$3, the gas, oil and grease sales are \$8 and the sales tax is \$1. The labor cost is \$3. The shop supplies cost is \$2, the parts cost is \$2 and the gas, oil and grease cost is \$6.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$30	
Account 660C	Cost of Sales – Quick Service Labor – Cars & Light Duty Trucks	\$3	
Account 669	Cost of Sales – Shop Supplies	\$2	
Account 678	Cost of Sales – Parts – Quick Service – Repair Orders	\$2	
Account 691	Cost of Sales – Gas, Oil & Grease	\$6	
Account 244	Inventory – Gas, Oil & Grease		\$6
Account 242`	Inventory – Parts & Accessories		\$2
Account 242	Inventory – Parts & Accessories		\$2
Account 247A	Inventory – Work in Process – Mechanical		\$3
Account 460C	Sales – Quick Service Labor – Cars & Light Duty Trucks		\$10
Account 469	Sales – Shop Supplies		\$8
Account 478	Sales – Parts – Quick Service – Repair Orders		\$3
Account 491	Sales – Gas, Oil & Grease		\$8
Account 324	Sales Taxes Payable		\$1

Comments

If the dealership has a Quick Service Bay, then all Mechanical Labor performed by the Quick Service Technicians should be recorded in these accounts. When single line item repairs are performed by technicians paid on a lower scale, the mechanical labor should be considered as Quick Service and recorded in these accounts.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

462 Warranty Claim Labor - Mechanical

Sales

Fixed Operations

Sales Synopsis

The purpose of this account is to record Warranty Claim Labor Sales performed by the Mechanical Department.

Debits	Credits
	1. Actual selling price (at claim rate) of mechanical labor for which warranty and transportation claims are filed

662 Warranty Claim Labor - Mechanical

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 662 is established to record the Cost of Sales, which is defined as compensation paid to technicians for Warranty Claim repairs.

Debits	Credits
1. Cost of mechanical labor for which warranty and transportation claims are filed	

Example 1

Record a warranty repair order for a mechanical customer's car in the amount of \$755. The warranty claim labor is \$170. The warranty parts sale is \$585. The cost of labor is \$50 and the parts cost is \$450.

Journal: Warranty Sales

Entry:		Debit	Credit
Account 263	Accounts Receivables – Warranty	\$755	

	Claims		
Account 662	Cost of Sales – Warranty Claim Labor – Mechanical	\$50	
Account 680	Cost of Sales – Parts – Warranty Claims	\$450	
Account 242	Inventory – Parts & Accessories		\$450
Account 247A	Inventory – Work in Process – Mechanical		\$50
Account 462	Sales – Warranty Claim Labor – Mechanical		\$170
Account 480	Sales – Parts – Warranty Claims		\$585

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

463 Internal Labor - Mechanical

Sales

Fixed Operations

Sales Synopsis

Account 463 is established to record the amount of Internal Labor performed by the Mechanical Department.

Debits	Credits
	<ol style="list-style-type: none">1. Internal selling price of servicing new vehicles in addition to factory specifications2. Internal selling price of reconditioning used vehicles3. Internal selling price of installing and removing accessories, optional equipment, tires and special bodies4. Internal selling price of dealer policy work5. Internal selling price of repair and maintenance of company-owned vehicles6. Internal selling price of maintaining used vehicles in salable condition7. Internal selling price of repairing customers' vehicles due to employee negligence, for which an employee is not charged

663 Internal Labor - Mechanical

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Revised 1/6/2017

Account 663 is established to record the Cost of Sales, which is defined as compensation paid to technicians for Internal Labor Sales.

Debits	Credits
1. Cost of mechanical labor sold to other departments	

Example 1

Record an internal repair order for reconditioning to a used truck that is in inventory in the amount of \$400. The internal labor is \$300 and the part sale is \$100. The cost of labor is \$90 and the part cost is \$80.

Journal: Internal Sales

Entry:		Debit	Credit
Account 241	Inventory – Used Trucks	\$400	
Account 663	Cost of Sales – Internal Labor - Mechanical	\$90	
Account 681	Cost of Sales – Parts – Internal	\$80	
Account 242	Inventory – Parts & Accessories		\$80
Account 247A	Inventory – Work in Process – Mechanical		\$90
Account 463	Sales – Internal Labor – Mechanical		\$300
Account 481	Sales – Parts – Internal		\$100

Note:

Internal Sales

Because the term “Internal Sale” may be foreign to the accountant, a brief explanation is in order. A retail selling price is generally arrived at by giving consideration to the following items:

- Prime Cost (cost of merchandise or labor)
PLUS
- Department Overhead
PLUS
- Department Profit

Internal Sales are made up of prime cost and overhead only. Through the medium of internal sales, the selling department apportions its cost of doing business to another department within the dealership.

Internal Sales of Labor

It is recommended that labor sold internally be priced at customer price less 10%. If preferred, a rate sufficient to cover the prime cost of labor plus a pro rata share of the service department overhead to be absorbed by labor sales may be used. To determine this rate, the steps below should be followed:

Example

Step #1: Estimate the annual total productive mechanical technician hours available.

• Number of weeks per year	52
• Number of days per week	X 5
	<hr/>
	260
• Annual number of days	- 15
• Less: Average number of days for vacation and holidays	
	<hr/>
	245
• Estimated total annual productive days available	X 8
• Productive hours available per day	
	<hr/>
	1,960
• Annual productive hours available	X 8
• Number of mechanical technicians	
	<hr/>
	15,680
• Annual Total Productive mechanical Technician Hours Available	<hr/> <hr/>

Step #2 Estimate the mechanical fixed overhead expense per productive hour.

• Estimated annual mechanical fixed overhead expense	\$357,464
• Estimated annual gross profit applicable to mechanical sales of sublet repairs and parts and accessories on custom repair orders	- \$47,000
	<hr/>
	\$310,464
• Mechanical fixed overhead expense to be absorbed by labor sales	/ 15,680
	<hr/>

- Annual total productive mechanical technician hours available (#1) _____
 - Mechanical Fixed Overhead Expense per Productive hour \$19.80
-

Step #3: Compute the weighted average hourly wage paid mechanical technicians. This is the hourly prime cost of labor.

	Number of Technician		Hourly Rate		Compensation
	2	X	\$16.00	=	\$32.00
	3	X	\$17.00	=	\$51.00
	3	X	\$15.00	=	\$45.00
Total	8				\$128.00
					/ 8
			Hourly Prime Cost of Labor		\$16.00

Step #4: Compute the internal selling price of mechanical labor.

- Mechanical fixed overhead expense per productive hour (#2) \$19.80
 - Hourly prime cost of labor (#3) \$16.00
 - Internal Selling Price of Mechanical Labor _____
-

The preceding example determines the internal selling price of mechanical labor. If the dealership has a body shop operation, separate rates should be used for the internal sales of mechanical and body shop labor. The above steps should be followed, substituting the number of body shop technicians and their hourly rates; the gross profit applicable to body shop sale of sublet repairs, parts and accessories on custom repair orders, and paint and body shop materials; and the estimated annual body shop fixed overhead expense.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

464 New Vehicle Inspection Labor

Sales

Fixed Operations

Sales Synopsis

Account 464 is established to record the Labor Sales required to perform new vehicle preparation by the Mechanical Department.

Debits	Credits
	1. Actual selling price (warranty rate times the time allowed on the specific vehicle) of labor performed in conditioning new vehicles per factory specifications

664 New Vehicle Inspection Labor

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 664 is established to record the Cost of Sales, which is defined as compensation paid to technicians, for Labor related to New Vehicle preparation.

Debits	Credits
1. Cost of mechanical labor performed in conditioning new vehicles per factory specifications	

Example 1

Record a repair order for new vehicle inspection in the amount of \$107. The labor cost is \$19.

Journal: Internal Sales

Entry:		Debit	Credit
Account 261	Factory Receivables	\$107	

Account 664	Cost of Sales – New Vehicle Inspection Labor	\$19	
Account 464	Sales – New Vehicle Inspection Labor		\$107
Account 247A	Inventory – Work in Process – Mechanical		\$19

466 Sublet Repairs - Mechanical

Sales

Fixed Operations

Sales Synopsis

Account 466 is established to record the selling price of repairs, which are performed by outside service suppliers.

Debits	Credits
	<ol style="list-style-type: none">1. Actual selling price of mechanical sublet repairs sold2. Actual selling price (at claim rate) of mechanical sublet repairs for which warranty, transportation and new vehicle inspection claims are filed

666 Sublet Repairs - Mechanical

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 666 is established to record the Cost of Sales, which is defined as the purchase price of service repairs performed by outside suppliers.

Debits	Credits
<ol style="list-style-type: none">1. Actual Cost of mechanical sublet repairs sold	

Example 1

Record the cash sale of sublet repairs for a service customer in the amount of \$525. The sublet repair sale is \$500 and the sales tax is \$25. The cost of sale of the sublet repair is \$450.

Journal: Service Sales - Cash

Entry:		Debit	Credit

Account 225	Cash Sales	\$525	
Account 666	Cost of Sales – Sublet Repairs	\$450	
Account 466	Sales – Sublet Repairs		\$500
Account 246	Inventory – Sublet Repairs		\$450
Account 324	Sales Taxes Payable		\$25

**467 Parts – Customer Mechanical Repair Orders –
Cars and Light Duty Trucks**

**468 Parts – Customer Mechanical Repair Orders –
Commercial, Fleet, & Medium Duty Trucks**

Sales

Fixed Operations

Sales Synopsis

Accounts 467 and 468 are established to record the sales of Parts sold on Customer Mechanical Repair Orders.

Debits	Credits
	<ol style="list-style-type: none"><li data-bbox="850 772 1425 877">1. The actual selling price of Parts sold on Customer Mechanical Repair Orders<li data-bbox="850 898 1425 1001">2. The actual selling price of Parts sold on Service Contract Repair Orders

**667 Parts – Customer Mechanical Repair Orders –
Cars and Light Duty Trucks**

**668 Parts – Customer Mechanical Repair Orders –
Commercial, Fleet, & Medium Duty Trucks**

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Accounts 667 and 668 respectively are established to record the cost of sales for the Parts sold in Accounts 467 and 468 above.

Debits	Credits
<ol style="list-style-type: none"><li data-bbox="237 1705 802 1768">1. The cost of Parts sold on customer mechanical repair orders<li data-bbox="237 1789 802 1852">2. The cost of Parts sold on Service Contract Repair Orders	

Example 1

Record a customer cash sale of \$618 for mechanical labor and parts. The parts sale is \$250. The customer labor sale is \$340. The sales tax is \$13 and the shop supplies are \$15. The parts cost is \$80. The cost of labor is \$100 and the cost of shop supplies is \$10.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$618	
Account 660A	Cost of Sales – Customer Labor – Cars & Light Trucks	\$100	
Account 667	Cost of Sales – Parts Mechanical Repair Orders & Light Duty Trucks	\$80	
Account 669	Cost of Sales – Shop Supplies	\$10	
Account 242	Inventory – Parts & Accessories		\$80
Account 242	Inventory – Parts & Accessories		\$10
Account 247A	Inventory – Work in Process – Mechanical		\$100
Account 324	Sales Taxes Payable		\$13
Account 460A	Sales – Customer Labor – Cars & Light Duty Trucks		\$340
Account 467	Sales – Parts Mechanical Repair Orders & Light Duty Trucks		\$250
Account 469	Sales – Shop Supplies		\$15

Example 2

Record a customer cash sale of \$1,326 for mechanical labor and parts. The part sale is \$750. The customer labor sale is \$500. The sales tax is \$38 and the shop supplies are \$38. The parts cost is \$500. The cost of the labor is \$125 and the cost of the shop supplies is \$28.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$1,326	
Account 661A	Cost of Sales – Customer Labor – Commercial, Fleet & Medium Duty Trucks	\$125	
Account 668	Cost of Sales – Parts Mechanical Repair Orders Commercial, Fleet, & Medium Duty Trucks	\$500	
Account 669	Cost of Sales – Shop Supplies	\$28	
Account 242	Inventory – Parts & Accessories		\$500
Account 242	Inventory – Parts & Accessories		\$28
Account 247A	Inventory – Work in Process –		\$125

	Mechanical		
Account 324	Sales Taxes Payable		\$38
Account 461A	Sales – Customer Labor – Commercial, Fleet, & Medium Duty Trucks		\$500
Account 468	Sales – Parts Mechanical Repair Orders – Commercial, Fleet, & Medium Duty Trucks		\$750
Account 469	Sales – Shop Supplies		\$38

Comments

Until a new account can be established , Parts sold on Service Contract Repair Orders are to be recorded in the accounts above along with Parts sold on Customer Mechanical Repair Orders.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

**467 Parts – Customer Mechanical Repair Orders –
Cars and Light Duty Trucks**

**468 Parts – Customer Mechanical Repair Orders –
Commercial, Fleet, & Medium Duty Trucks**

Sales

Fixed Operations

Sales Synopsis

Accounts 467 and 468 are established to record the sales of Parts sold on Customer Mechanical Repair Orders.

Debits	Credits
	<ol style="list-style-type: none"><li data-bbox="850 772 1425 877">1. The actual selling price of Parts sold on Customer Mechanical Repair Orders<li data-bbox="850 898 1425 1001">2. The actual selling price of Parts sold on Service Contract Repair Orders

**667 Parts – Customer Mechanical Repair Orders –
Cars and Light Duty Trucks**

**668 Parts – Customer Mechanical Repair Orders –
Commercial, Fleet, & Medium Duty Trucks**

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Accounts 667 and 668 respectively are established to record the cost of sales for the Parts sold in Accounts 467 and 468 above.

Debits	Credits
<ol style="list-style-type: none"><li data-bbox="237 1703 802 1776">1. The cost of Parts sold on customer mechanical repair orders<li data-bbox="237 1797 802 1871">2. The cost of Parts sold on Service Contract Repair Orders	

Example 1

Record a customer cash sale of \$618 for mechanical labor and parts. The parts sale is \$250. The customer labor sale is \$340. The sales tax is \$13 and the shop supplies are \$15. The parts cost is \$80. The cost of labor is \$100 and the cost of shop supplies is \$10.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$618	
Account 660A	Cost of Sales – Customer Labor – Cars & Light Trucks	\$100	
Account 667	Cost of Sales – Parts Mechanical Repair Orders & Light Duty Trucks	\$80	
Account 669	Cost of Sales – Shop Supplies	\$10	
Account 242	Inventory – Parts & Accessories		\$80
Account 242	Inventory – Parts & Accessories		\$10
Account 247A	Inventory – Work in Process – Mechanical		\$100
Account 324	Sales Taxes Payable		\$13
Account 460A	Sales – Customer Labor – Cars & Light Duty Trucks		\$340
Account 467	Sales – Parts Mechanical Repair Orders & Light Duty Trucks		\$250
Account 469	Sales – Shop Supplies		\$15

Example 2

Record a customer cash sale of \$1,326 for mechanical labor and parts. The part sale is \$750. The customer labor sale is \$500. The sales tax is \$38 and the shop supplies are \$38. The parts cost is \$500. The cost of the labor is \$125 and the cost of the shop supplies is \$28.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$1,326	
Account 661A	Cost of Sales – Customer Labor – Commercial, Fleet & Medium Duty Trucks	\$125	
Account 668	Cost of Sales – Parts Mechanical Repair Orders Commercial, Fleet, & Medium Duty Trucks	\$500	
Account 669	Cost of Sales – Shop Supplies	\$28	
Account 242	Inventory – Parts & Accessories		\$500
Account 242	Inventory – Parts & Accessories		\$28
Account 247A	Inventory – Work in Process –		\$125

	Mechanical		
Account 324	Sales Taxes Payable		\$38
Account 461A	Sales – Customer Labor – Commercial, Fleet, & Medium Duty Trucks		\$500
Account 468	Sales – Parts Mechanical Repair Orders – Commercial, Fleet, & Medium Duty Trucks		\$750
Account 469	Sales – Shop Supplies		\$38

Comments

Until a new account can be established , Parts sold on Service Contract Repair Orders are to be recorded in the accounts above along with Parts sold on Customer Mechanical Repair Orders.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

469 Shop Supplies

Sales

Fixed Operations

Sales Synopsis

Account 469 is established to record the sale of Shop Supplies on Repair Orders such as cleaning rags, engine de-greaser, spray lubricants, and other consumable supplies.

Debits	Credits
	1. The sales of Shop Supplies charged to customers on Repair Orders

669 Shop Supplies

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 669 is established to record the cost of Shop Supplies sold in Account 469 above.

Debits	Credits
1. The estimated cost of Shop Supplies	

Example 1

Record a customer cash sale of \$1,326 for mechanical labor and parts. The part sale is \$750. The customer labor sale is \$500. The sales tax is \$38 and the shop supplies are \$38. The parts cost is \$500. The cost of the labor is \$125 and the cost of the shop supplies is \$28.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$1,326	
Account 661A	Cost of Sales – Customer Labor – Commercial, Fleet & Medium Duty Trucks	\$125	

Account 668	Cost of Sales – Parts Mechanical Repair Orders & Light Duty Trucks – Commercial, Fleet, & Medium Duty Trucks	\$500	
Account 669	Cost of Sales – Shop Supplies	\$28	
Account 242	Inventory – Parts & Accessories		\$500
Account 242	Inventory – Parts & Accessories		\$28
Account 247A	Inventory – Work in Process – Mechanical		\$125
Account 324	Sales Taxes Payable		\$38
Account 461A	Sales – Customer Labor – Commercial, Fleet, & Medium Duty Trucks		\$500
Account 468	Sales – Parts Mechanical Repair Orders – Commercial, Fleet, & Medium Duty Trucks		\$750
Account 469	Sales – Shop Supplies		\$38

Note:

At the time of purchase, Shop Supplies should be recorded in Account 242, Parts and Accessories (inventory). As Shop Supplies are sold, Account 669, Shop Supplies (Cost of Sales) is debited and Account 242, Parts and Accessories is credited.

It is preferable that these sales be costed individually at actual cost, however, they may be costed on a percentage basis at month end.

If a percentage basis is used, an accurate percentage of sales should be developed to apply as cost for each classification of sales.

Using a reasonable sample, such as a three-month sales period, all sales in each classification should be costed at actual cost on each repair order and counter sales invoice. A summary should be prepared of all sales and cost of sales included in this study. Total sales in each classification should be divided into the corresponding total actual costs. The resulting percentages should then be applied to the applicable sales classifications at each subsequent month end to determine cost of sales.

This study should be repeated as frequently as necessary.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

470 Customer Paint Labor – Cars & Trucks

Sales

Fixed Operations

Sales Synopsis

Account 470 is established to record Body Shop Paint sales paid directly by customers for repairs performed by the Body Shop Department.

Debits	Credits
	1. Actual selling price of Body Shop Paint Labor sold to customers

670 Customer Paint Labor – Cars & Trucks

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 670 is established to record the Cost of Sales, which is defined as compensation paid to technicians, for customer paid Body Shop Paint Labor.

Debits	Credits
1. Cost of Body Shop Paint Labor sold to customers	

Example 1

Record a customer cash sale of \$3,740 for body shop labor, parts and materials. The body labor sale is \$740 and the paint labor sale is \$595. The parts sale is \$1,975. The paint and body shop materials are \$315 and the sales tax is \$115. The cost of the labor is \$795 with \$350 due to paint labor and \$445 for body shop labor. The parts cost is \$1,380. The cost of body shop materials is \$235.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$3,740	
Account 670	Cost of Sales – Customer Paint Labor	\$350	

	- Cars & Trucks		
Account 671	Cost of Sales – Customer Body Labor – Cars & Trucks	\$445	
Account 677	Cost of Sales – Parts - Body Customer Repair Orders – Cars & Trucks	\$1,380	
Account 679	Cost of Sales – Paint & Body Shop Materials	\$235	
Account 242	Inventory – Parts & Accessories		\$1,380
Account 245	Inventory – Paint & Body Shop Materials		\$235
Account 247B	Inventory – Work in Process – Body Shop		\$795
Account 324	Sales Taxes Payable		\$115
Account 470	Sales – Customer Paint Labor – Cars & Trucks		\$595
Account 471	Sales – Customer Body Labor – Cars & Trucks		\$740
Account 477	Sales – Parts – Body Customer Repair Orders – Parts & Trucks		\$1,975
Account 479	Sales – Paint & Body Shop Materials		\$315

Note:

Labor sales can be cost either on an actual basis or on a percentage basis. However, it is recommended that whenever practicable labor sales be costed on actual basis because material losses of productive time may be concealed by the inaccuracies inherent in percentage costing methods. Such inaccuracies can result from failure to update costing percentages when changes occur in the compensation of technicians and in the structural of selling prices of labor, and from other reasons.

The following examples show how labor may be costed under various compensation plans:

1. Technicians are paid on a flat rate hour and customers are billed on a flat rate hour.
 - Actual costing may be accompanied by multiplying the technician’s flat rate by the flat rate hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.

2. Technicians are paid an hourly rate and customers are billed on a flat rate hour.
 - Actual costing may be accomplished by multiplying the technician’s hourly rate by the hours spent on a particular job.
 - Percentage costing cannot be accomplished with any degree of accuracy.

3. Technicians are paid on an hourly rate and customers are billed on an hourly rate.
 - Actual costing may be accomplished by multiplying the technician’s hourly rate by the hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.

4. Technicians are paid a percentage of customer labor sales.
 - Actual costing may be accomplished by multiplying each labor sale by the percentage received by the technician. Actual costing may also be accomplished by applying the percentage to the total labor sales at the month end.
 - Percentage costing does not apply under these conditions.

5. Technicians are paid a minimum guarantee with additional compensation based on production which cannot be determined until the end of a pay period.
 - Actual costing cannot be accomplished.
 - Percentage costing, in this instance, may be accomplished as illustrated below with the exception of Step #1, which should be revised as follows:
 - Total Productive Wages including incentives
(8 Technicians for a 12 week test period) \$ 54,910
 - Total Hours Worked / 3,800
 - Hourly Prime Cost of Labor \$ 14.45

It is preferred that added incentive pay of technicians and compensation of technicians’ helpers be comprehended in the costing of labor sales. Therefore such pay should be debited to Acct. 247. If this is not practicable, such pay should be debited to Acct. 665 and 675, as applicable.

**EXAMPLE FOR DEVELOPING PERCENTAGES TO
BE USED IN COSTING LABOR SALES**

STEP #1: Determine the weighted average hourly rate of technicians. This is the hourly prime cost of labor.

<u>Number of Technicians</u>		<u>Hourly Rate</u>		<u>Compensation</u>
2	X	\$16.00	=	\$ 32.00
3	X	\$17.00	=	\$51.00
<u>3</u>	X	\$15.00	=	<u>\$45.00</u>
TOTAL <u>8</u>				<u><u>\$ 128.00</u></u>

	/ 8
Hourly PrimeCost of Labor	\$ 16.00

STEP #2: Determine the effective selling price of customer labor by sampling a consecutive number of repair orders.

! Total customer labor sales on repair orders examined	\$ 21,900
! Number of labor hours sold on repair orders examined	/ 500
! Effective Customer Selling Price of Labor	\$ 43.80

STEP #3: Determine the percent of the effective customer selling price that represents cost.

! Hourly prime cost of labor (#1)	\$ 16.00
! Effective customer selling price of labor (#2)	/ 43.80
! Costing percentage of Customer Labor Sales	36.5%

STEP #4: Determine the percent of internal selling price that represents cost.

! Hourly prime cost of labor (#1)	\$ 16.00
! Internal selling price of labor	/ 39.42
! Costing percentage of Customer Labor Sales	40.6%

NOTE:

This study should be repeated whenever changes occur in either the hourly rate of technicians or the selling price of labor.

471 Customer Body Labor – Cars & Trucks

Sales

Fixed Operations

Sales Synopsis

Account 471 is established to record Body Shop Labor sales paid directly by customers for repairs performed by the Body Shop Department.

Debits	Credits
	<ol style="list-style-type: none">1. Actual selling price of Body Shop Labor sold to customers2. Revenue from sources such as towing and washes in connection with Body Shop repairs

671 Customer Body Labor – Cars & Trucks

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 671 is established to record the Cost of Sales, which is defined as compensation paid to technicians, for customer paid Body Shop Labor.

Debits	Credits
<ol style="list-style-type: none">1. Cost of Body Shop Labor sold to customers	

Example 1

Record a customer cash sale of \$3,740 for body shop labor, parts and materials. The body labor sale is \$740 and the paint labor sale is \$595. The parts sale is \$1,975. The paint and body shop materials are \$315 and the sales tax is \$115. The cost of the labor is \$795 with \$350 due to paint labor and \$445 for body shop labor. The parts cost is \$1,380. The cost of body shop materials is \$235.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$3,740	
Account 670	Cost of Sales – Customer Paint Labor – Cars & Trucks	\$350	
Account 671	Cost of Sales – Customer Body Labor – Cars & Trucks	\$445	
Account 677	Cost of Sales – Parts – Body Customer Repair Orders – Cars & Trucks	\$1,380	
Account 679	Cost of Sales – Paint & Body Shop Materials	\$235	
Account 242	Inventory – Parts & Accessories		\$1,380
Account 245	Inventory – Paint & Body Shop Materials		\$235
Account 247B	Inventory – Work in Process – Body Shop		\$795
Account 324	Sales Taxes Payable		\$115
Account 470	Sales – Customer Paint Labor – Cars & Trucks		\$595
Account 471	Sales – Customer Body Labor – Cars & Trucks		\$740
Account 477	Sales – Parts – Body Customer Repair Orders – Cars & Trucks		\$1,975
Account 479	Sales – Paint & Body Shop Materials		\$315

Note:

Labor sales can be costed either on an actual basis or on a percentage basis. However, it is recommended that whenever practicable labor sales be costed on actual basis because material losses of productive time may be concealed by the inaccuracies inherent in percentage costing methods. Such inaccuracies can result from failure to update costing percentages when changes occur in the compensation of technicians and in the structural of selling prices of labor, and from other reasons.

The following examples show how labor may be costed under various compensation plans:

1. Technicians are paid on a flat rate hour and customers are billed on a flat rate hour.
 - Actual costing may be accompanied by multiplying the technician's flat rate by the flat rate hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.

2. Technicians are paid an hourly rate and customers are billed on a flat rate hour.
 - Actual costing may be accomplished by multiplying the technician's hourly rate by the hours spent on a particular job.
 - Percentage costing cannot be accomplished with any degree of accuracy.

3. Technicians are paid on an hourly rate and customers are billed on an hourly rate.
 - Actual costing may be accomplished by multiplying the technician's hourly rate by the hours spent on a particular job.
 - Percentage costing may be accomplished as illustrated below.

4. Technicians are paid a percentage of customer labor sales.
 - Actual costing may be accomplished by multiplying each labor sale by the percentage received by the technician. Actual costing may also be accomplished by applying the percentage to the total labor sales at the month end.
 - Percentage costing does not apply under these conditions.

5. Technicians are paid a minimum guarantee with additional compensation based on production which cannot be determined until the end of a pay period.
 - Actual costing cannot be accomplished.
 - Percentage costing, in this instance, may be accomplished as illustrated below with the exception of Step #1, which should be revised as follows:
 - Total Productive Wages including incentives
(8 Technicians for a 12 week test period) \$54,910
 - Total Hours Worked / 3,800
 - Hourly Prime Cost of Labor \$14.45

It is preferred that added incentive pay of technicians and compensation of technicians' helpers be comprehended in the costing of labor sales. Therefore such pay should be debited to Acct. 247. If this is not practicable, such pay should be debited to Acct. 665 and 675, as applicable.

**EXAMPLE FOR DEVELOPING PERCENTAGES TO
BE USED IN COSTING LABOR SALES**

STEP #1: Determine the weighted average hourly rate of technicians. This is the hourly prime cost of labor.

<u>Number of Technicians</u>			<u>Hourly Rate</u>		<u>Compensation</u>
2	X		\$16.00	=	\$32.00

	3	X	\$17.00	=	\$51.00
	<u>3</u>	X	\$15.00	=	<u>\$45.00</u>
TOTAL	<u>8</u>				<u>\$128.00</u>
					<u>/ 8</u>
			Hourly PrimeCost of Labor		<u>\$16.00</u>

STEP #2: Determine the effective selling price of customer labor by sampling a consecutive number of repair orders.

! Total customer labor sales on repair orders examined	\$21,900
! Number of labor hours sold on repair orders examined	<u>/ 500</u>
! Effective Customer Selling Price of Labor	\$43.80

STEP #3: Determine the percent of the effective customer selling price that represents cost.

! Hourly prime cost of labor (#1)	\$16.00
! Effective customer selling price of labor (#2)	<u>/ 43.80</u>
! Costing percentage of Customer Labor Sales	<u>36.5%</u>

STEP #4: Determine the percent of internal selling price that represents cost.

! Hourly prime cost of labor (#1)	\$16.00
! Internal selling price of labor	<u>/ 39.42</u>
! Costing percentage of Customer Labor Sales	<u>40.6%</u>

NOTE:

This study should be repeated whenever changes occur in either the hourly rate of technicians or the selling price of labor.

472 Warranty Claim Labor – Body Shop

Sales

Fixed Operations

Sales Synopsis

Account 472, Warranty Claim Labor – Body Shop, is established to record the sales of Body Shop Labor covered by the manufacturer's warranty and for which a claim is submitted.

Debits	Credits
	1. Actual selling price (at claim rate) of Body Shop Paint & Labor for which warranty and transportation claims are filed

672 Warranty Claim Labor – Body Shop

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 672 is established to record the Cost of Sales, which is defined as the compensation paid to Body Shop Technicians for Warranty Claim Labor.

Debits	Credits
1. Cost of Body Shop Paint & Labor for which Warranty and Transportation Claims are filed	

Example 1

Record the body shop repair order of \$591 for work performed on a factory vehicle. The warranty labor is \$150. The parts sale is \$410 and the paint and body shop materials sale is \$31. The labor cost is \$45. The parts cost is \$315 and the paint and body shop materials cost is \$28.

Journal: Internal

Entry:		Debit	Credit
Account 263	Accounts Receivable – Warranty Claims	\$591	
Account 672	Cost of Sales – Warranty Claim Labor – Paint & Body	\$45	
Account 679	Cost of Sales – Paint & Body Shop Materials	\$28	
Account 680	Cost of Sales – Parts – Warranty Claims	\$315	
Account 242	Inventory – Parts & Accessories		\$315
Account 245	Inventory – Paint & Body Shop Materials		\$28
Account 247B	Inventory – Work in Process – Body Shop		\$45
Account 472	Sales – Warranty Claim Labor – Paint & Body		\$150
Account 479	Sales – Paint & Body Shop Materials		\$31
Account 480	Sales – Parts – Warranty Claims		\$410

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

473 Internal Labor – Body Shop

Sales

Fixed Operations

Sales Synopsis

Account 473 is established to record the amount of Internal Body Shop Paint & Labor performed and sold to other departments.

Debits	Credits
	<ol style="list-style-type: none">1. Internal selling price of reconditioning used vehicles2. Internal selling price of dealer policy work3. Internal selling price of repairing company-owned vehicles4. Internal selling price of maintaining used vehicles in salable condition5. Internal selling price of repairing customers' vehicles damaged due to employee negligence, for which an employee is not charged

673 Internal Labor – Body Shop

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 673 is established to record the Cost of Sales of Internal Body Shop Paint & Labor sold above.

Debits	Credits
<ol style="list-style-type: none">1. Cost of Body Shop Paint & Labor sold to customers sold to other Departments	

Example 1

Record the body shop repair order of \$ \$565 for work performed on a company vehicle. The internal labor is \$140. The parts sale is \$394. The paint and body shop materials are \$31 and the sales tax is \$21. The cost of labor is \$60. The parts cost is \$315 and the paint and body shop materials cost is \$28.

Journal: Internal Sales

Entry:		Debit	Credit
Account 051-05	Company Vehicle Expense – Mechanical Department	\$565	
Account 673	Cost of Sales – Internal Labor – Paint & Body	\$60	
Account 679	Cost of Sales – Paint & Body Shop Materials	\$28	
Account 681	Cost of Sales – Parts – Internal	\$315	
Account 242	Inventory – Parts & Accessories		\$315
Account 245	Inventory – Paint & Body Shop Materials		\$28
Account 247B	Inventory – Work in Process – Body Shop		\$60
Account 473	Sales – Internal Labor – Paint & Body		\$140
Account 479	Sales – Paint & Body Shop Materials		\$31
Account 481	Sales – Parts – Internal		\$394

Example 1A

If state and local tax regulations require the payment of sales or excise tax on Internal Sales, then the following example applies. The amount of sales tax incurred is \$21. Professional accounting and tax advice should be obtained regarding the proper handling of tax matters.

Journal: Internal Sales

Entry:		Debit	Credit
Account 051-05	Company Vehicle Expense – Mechanical Department	\$586	
Account 673	Cost of Sales – Internal Labor – Paint & Body	\$60	
Account 679	Cost of Sales – Paint & Body Shop Materials	\$28	
Account 681	Cost of Sales – Parts – Internal	\$315	
Account 242	Inventory – Parts & Accessories		\$315
Account 245	Inventory – Paint & Body Shop Materials		\$28
Account 247B	Inventory – Work in Process – Body Shop		\$60

Account 324	Sales Taxes Payable		\$21
Account 473	Sales – Internal Labor – Paint & Body		\$140
Account 479	Sales – Paint & Body Shop Materials		\$31
Account 481	Sales – Parts – Internal		\$394

Note:

Internal Sales

Because the term “Internal Sale” may be foreign to the accountant, a brief explanation is in order. A retail selling price is generally arrived at by giving consideration to the following items:

- Prime Cost (cost of merchandise or labor)
PLUS
- Department Overhead
PLUS
- Department Profit

Internal Sales are made up of prime cost and overhead only. Through the medium of internal sales, the selling department apportions its cost of doing business to another department within the dealership.

Internal Sales of Labor

It is recommended that labor sold internally be priced at customer price less 10%. If preferred, a rate sufficient to cover the prime cost of labor plus a pro rata share of the service department overhead to be absorbed by labor sales may be used. To determine this rate, the steps below should be followed:

Example

Step #1: Estimate the annual total productive mechanical technician hours available.

• Number of weeks per year		52	
• Number of days per week		X 5	

		260	
• Annual number of days		- 15	
• Less: Average number of days for vacation and holidays		_____	
		245	
		X 8	

- Estimated total annual productive days available
- Productive hours available per day

1,960
X 8

- Annual productive hours available
- Number of mechanical technicians

15,680

- Annual Total Productive mechanical Technician Hours Available
-

Step #2 Estimate the mechanical fixed overhead expense per productive hour.

- Estimated annual mechanical fixed overhead expense \$357,464
- Estimated annual gross profit applicable to mechanical sales of sublet repairs and parts and accessories on custom repair orders - \$47,000

\$310,464
/ 15,680

- Mechanical fixed overhead expense to be absorbed by labor sales
- Annual total productive mechanical technician hours available (#1)

\$19.80

- Mechanical Fixed Overhead Expense per Productive hour
-

Step #3: Compute the weighted average hourly wage paid mechanical technicians. This is the hourly prime cost of labor.

	Number of Technician		Hourly Rate		Compensation
	2	X	\$16.00	=	\$32.00
	3	X	\$17.00	=	\$51.00
	3	X	\$15.00	=	\$45.00
Total	<u>8</u>				<u>\$128.00</u>
					/ 8
			Hourly Prime Cost of Labor		<u>\$16.00</u>

Step #4: Compute the internal selling price of mechanical labor.

• Mechanical fixed overhead expense per productive hour (#2)	\$19.80
• Hourly prime cost of labor (#3)	\$16.00
	<hr/>
• Internal Selling Price of Mechanical Labor	\$35.80
	<hr/>

The preceding example determines the internal selling price of mechanical labor. If the dealership has a body shop operation, separate rates should be used for the internal sales of mechanical and body shop labor. The above steps should be followed, substituting the number of body shop technicians and their hourly rates; the gross profit applicable to body shop sale of sublet repairs, parts and accessories on custom repair orders, and paint and body shop materials; and the estimated annual body shop fixed overhead expense.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

476 Sublet Repairs – Body Shop

Sales

Fixed Operations

Sales Synopsis

Account 476 is established to record the amount of Body Shop repairs that are sub-contracted to outside suppliers and vendors.

Debits	Credits
	<ol style="list-style-type: none">1. Actual selling price of Body Shop Sublet Repairs sold2. Actual selling price (at claim rate) of Body Shop Sublet Repairs for which Warranty And Transportation Claims are filed

676 Sublet Repairs – Body Shop

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 676 is established to record the Cost of Sales for the Sublet Body Shop repairs sold above.

Debits	Credits
<ol style="list-style-type: none">1. Actual cost of Body Shop Sublet Repairs sold	

Example 1

Record a body shop repair order for \$744 that includes towing from an outside company. Both the body labor sale and paint labor sale are both \$100 each. The sublet repair is \$75 and the part sale is \$407 and the paint and body shop materials cost is \$40. The cost for both the body and paint labor is \$30 each. The cost of the sublet repair is \$60. The parts cost is \$285 and the cost of the paint and body shop materials is \$28.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$744	
Account 670	Cost of Sales – Customer Paint Labor – Cars & Trucks	\$30	
Account 671	Cost of Sales – Customer Body Labor – Cars & Trucks	\$30	
Account 676	Cost of Sales – Sublet Repairs – Body Shop	\$60	
Account 677	Cost of Sales – Parts – Body Customer Repair Orders – Cars & Trucks	\$285	
Account 679	Cost of Sales – Paint & Body Shop Materials	\$28	
Account 242	Inventory – Parts & Accessories		\$285
Account 245	Inventory – Paint & Body Shop Materials		\$28
Account 246	Inventory – Sublet Repairs		\$60
Account 247B	Inventory – Work in Process – Body Shop		\$60
Account 324	Accounts Payable – Sales Taxes		\$22
Account 470	Sales – Customer Paint Labor – Cars & Trucks		\$100
Account 471	Sales – Customer Body Labor – Cars & Trucks		\$100
Account 476	Sales – Sublet Repairs – Body Shop		\$75
Account 477	Sales – Parts – Body Customer Repair Orders – Cars & Trucks		\$407
Account 479	Sales – Paint & Body Shop Materials		\$40

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

477 Parts – Body Shop Customer Repair Orders – Cars & Trucks

Sales
Fixed Operations

Sales Synopsis

Account 477 is established to record the amount of Parts sold on Customer Paid Repair Orders for Cars and Trucks respectively.

Debits	Credits
	1. Actual selling price of Parts sold on Customer Body Shop Repair Orders

677 Parts – Body Shop Customer Repair Orders – Cars & Trucks

Cost of Sales
Fixed Operations

Cost of Sales Synopsis

Account 677 is established to record the cost of sales for the Parts sold in Account 477.

Debits	Credits
1. Cost of Parts sold on customer body shop repair orders	

Example 1

Record a customer cash sale of \$3,740 for body shop labor, parts and materials. The body labor sale is \$740 and the paint labor sale is \$595. The parts sale is \$1,975. The paint and body shop materials are \$315 and the sales tax is \$115. The cost of the labor is \$795 with \$350 due to paint labor and \$445 for body shop labor. The parts cost is \$1,380. The cost of body shop materials is \$235.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$3,740	

Account 670	Cost of Sales – Customer Paint Labor – Cars & Trucks	\$350	
Account 671	Cost of Sales – Customer Body Labor – Cars & Trucks	\$445	
Account 677	Cost of Sales – Parts – Body Customer Repair Orders – Cars & Trucks	\$1,380	
Account 679	Cost of Sales – Paint & Body Shop Materials	\$235	
Account 242	Inventory – Parts & Accessories		\$1,380
Account 245	Inventory – Paint & Body Shop Materials		\$235
Account 247B	Inventory – Work in Process – Body Shop		\$795
Account 324	Sales Taxes Payable		\$115
Account 470	Sales – Customer Paint Labor – Cars & Trucks		\$595
Account 471	Sales – Customer Body Labor – Cars & Trucks		\$740
Account 477	Sales – Parts – Body Customer Repair Orders – Cars & Trucks		\$1,975
Account 479	Sales – Paint & Body Shop Materials		\$315

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

478 Parts – Quick Service Repair Orders

Sales

Fixed Operations

Sales Synopsis

Account 478 is established to record the sales of Parts sold on Quick Service Repair Orders recorded in Account 460C, Quick Service Labor – Cars & Light Duty Trucks and Account 461C, Quick Service Labor – Commercial, Fleet, & Medium Duty Trucks.

Debits	Credits
	1. The actual selling price of Parts sold on Quick Service Repair Orders

678 Parts – Quick Service – Repair Orders

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 678 is established to record the cost of sales for the Parts sold in Account 478 above.

Debits	Credits
1. The cost of Parts sold on Quick Service mechanical Repair Orders	

Example 1

Record customer cash sale of \$30 for a lube, oil & filter. The labor sale is \$10. The parts sale is \$3 and the gas, oil and grease sale is \$8. The sales tax is \$1 and the shop supplies are \$8. The cost of labor is \$3. The parts cost is \$2. The cost of the gas, oil and grease is \$6 and the cost of shop supplies is \$2.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$30	
Account 660C	Cost of Sales – Quick Service Labor –	\$3	

	Cars & Light Duty Trucks		
Account 669	Cost of Sales – Shop Supplies	\$2	
Account 678	Cost of Sales – Parts – Quick Service – Repair Orders	\$2	
Account 691	Cost of Sales – Gas, Oil & Grease	\$6	
Account 244	Inventory – Gas, Oil & Grease		\$6
Account 242	Inventory – Parts & Accessories		\$2
Account 242	Inventory – Parts & Accessories		\$2
Account 247A	Inventory – Work in Process – Mechanical		\$3
Account 460C	Sales – Quick Service Labor – Cars & Light Duty Trucks		\$10
Account 469	Sales – Shop Supplies		\$8
Account 478	Sales – Parts – Quick Service – Repair Orders		\$3
Account 491	Sales – Gas, Oil & Grease		\$8
Account 324	Sales Taxes Payable		\$1

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

479 Paint and Body Shop Materials

Sales

Fixed Operations

Sales Synopsis

Account 479 is established to record the sales of Paint and Body Shop Materials used on Body Shop repairs.

Debits	Credits
	<ol style="list-style-type: none">1. Actual selling price of Paint, Body Shop and similar Material sold2. Actual selling price (at claim rate) of Paint, Body Shop and similar Materials for which Warranty and Transportation Claims are filed

679 Paint and Body Shop Materials

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 679 is established to record the Cost of Sales of Paint and Body Shop Materials sold in Account 479 above.

Debits	Credits
<ol style="list-style-type: none">1. Cost of Paint, Body Shop and similar Materials sold2. Adjustment of the Paint and Body Shop Materials inventory	<ol style="list-style-type: none">1. Adjustment of the Paint and Body Shop Materials inventory

Example 1

Record a customer cash sale of \$3,740 for body shop labor, parts and materials. . The body labor sale is \$740 and the paint labor sale is \$595. The parts sale is \$1,975. The paint and body shop materials are \$315 and the sales tax is \$115. The cost of the labor

is \$795 with \$350 due to paint labor and \$445 for body shop labor. The parts cost is \$1,380. The cost of body shop materials is \$235.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$3,740	
Account 670	Cost of Sales – Customer Paint Labor – Cars & Trucks	\$350	
Account 671	Cost of Sales – Customer Body Labor – Cars & Trucks	\$445	
Account 677	Cost of Sales – Parts - Body Customer Repair Orders – Cars & Trucks	\$1,380	
Account 679	Cost of Sales – Paint & Body Shop Materials	\$235	
Account 242	Inventory – Parts & Accessories		\$1,380
Account 245	Inventory – Paint & Body Shop Materials		\$235
Account 247B	Inventory – Work in Process – Body Shop		\$795
Account 324	Sales Taxes Payable		\$115
Account 470	Sales – Customer Paint Labor – Cars & Trucks		\$595
Account 471	Sales – Customer Body Labor - Cars & Trucks		\$740
Account 477	Sales – Parts – Body Customer Repair Orders – Cars & Trucks		\$1,975
Account 479	Sales – Paint & Body Shop Materials		\$315

Example 2

Record the \$350 adjustment for difference in the book value of the Paint & Body Shop Materials inventory versus the physical inventory value at month-end

Journal: General Journal

Entry:		Debit	Credit
Account 679	Cost of Sales – Paint & Body Shop Materials	\$350	
Account 245	Inventory – Paint & Body Shop Materials		\$350

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-

accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

480 Parts Warranty Claims

Sales

Fixed Operations

Sales Synopsis

Account 480 is established to record the sales of Parts sold on Warranty and Transportation Claims.

Debits	Credits
	1. Actual selling price (at claim rate) of Parts for which Warranty and Transportation Claims are filed

680 Parts Warranty Claims

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 680 is established to record the Cost of Sales for the Parts sold in Account 480 above.

Debits	Credits
1. Cost of Parts for which Warranty and Transportation Claims are filed	

Example 1

Record a \$755 warranty repair order for a customer's car. The warranty claim labor sale is \$170 and the warranty claim parts sale is \$585. The warranty claim cost of labor is \$50 and the warranty claim cost for parts is \$450.

Journal: Warranty Sales

Entry:		Debit	Credit
Account 263	Accounts Receivables – Warranty Claims	\$755	
Account 662	Cost of Sales – Warranty Claim Labor	\$50	

	- Mechanical		
Account 680	Cost of Sales – Parts – Warranty Claims	\$450	
Account 242	Inventory – Parts & Accessories		\$450
Account 247A	Inventory – Work in Process – Mechanical		\$50
Account 462	Sales – Warranty Claim Labor – Mechanical		\$170
Account 480	Sales – Parts – Warranty Claims		\$585

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

481 Parts - Internal

Sales

Fixed Operations

Sales Synopsis

Account 481 is established to record the sales of Parts sold on Internal Repair Orders for work performed for other departments

Debits	Credits
	<ol style="list-style-type: none">1. Internal selling price of Parts sold on Internal Repair Orders2. Internal selling price of Parts for installation on New Vehicles3. Internal selling price of Parts for reconditioning Used Vehicles4. Internal selling price of Parts for dealer Policy work5. Internal selling price of Parts for repair and maintenance of company-owned vehicles6. Internal selling price of Parts for repair of customers' vehicles damaged due to employee negligence, for which an employee is not charged

Example 1

Record a \$400 internal repair order for reconditioning to a used truck that is in inventory. The labor sale is \$300 and the part sale is \$100. The cost of labor is \$90 and the parts cost is \$80.

Journal: Internal Sales

Entry:		Debit	Credit
Account 241	Inventory – Used Trucks	\$400	
Account 663	Cost of Sales – Internal Labor - Mechanical	\$90	
Account 681	Cost of Sales – Parts – Internal	\$80	
Account 242	Inventory – Parts & Accessories		\$80
Account 247A	Inventory – Work in Process –		\$90

	Mechanical		
Account 463	Sales – Internal Labor – Mechanical		\$300
Account 481	Sales – Parts – Internal		\$100

Comments

It is recommended that the Internal sales of regularly stocked parts and accessories, other than parts and accessories sold on customer repair orders, be priced at COST PLUS 25%, but not to exceed the retail selling price of the item.

If preferred, a rate sufficient to cover the prime cost of the parts and accessories plus a pro rata share of the parts and accessories department overhead may be used for all internal sales. To determine this rate, the steps below should be followed:

EXAMPLE

- Estimated annual fixed overhead expense of the parts and accessories department \$48,000
- Estimated annual amount of the parts and accessories department cost of sales / \$185,000
- Percentage Mark-up 26%

The internal selling price of parts and accessories equals cost plus 26%.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

681 Parts - Internal

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 681 is established to record the Cost of Sales for Parts sold on Internal Repairs Orders above.

Debits	Credits
1. Cost of Parts sold to other departments	

Example 1

Record the sale of a CD changer for a demonstrator unit in the amount of \$335. The mechanical labor sale for CD changer installation is \$85. The CD changer sale is \$250. The cost of internal labor is \$25. The CD changer cost is \$175.

Journal: Internal Sales

Entry:		Debit	Credit
Account 230	Inventory – Demonstrators	\$335	
Account 663	Cost of Sales – Internal Labor Mechanical	\$25	
Account 681	Cost of Sales – Parts – Internal	\$175	
Account 242	Inventory – Parts & Accessories		175
Account 247A	Inventory – Work in Process – Mechanical		\$25
Account 463	Sales – Internal Labor Mechanical		\$85
Account 481	Sales – Parts – Internal		\$250

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

482 Parts – Counter-Retail

Sales

Fixed Operations

Sales Synopsis

Account 482 is established to record the retail sales of Parts sold to Retail customers at the dealership.

Debits	Credits
1. Actual selling price of Parts returned by customers	1. Actual selling price of Parts sold over the counter to Retail and Fleet Customers and to employees

682 Parts – Counter Retail

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 682 is established to record the Cost of Sales of Parts sold in Account 482 above.

Debits	Credits
1. Cost of Parts sold over the counter to Retail and Fleet Customers and to employees	1. Cost of Parts returned by customers

Example 1

Record the cash sale of \$89 for parts sold over the counter. The parts sale is \$85 and the sales tax is \$4. The parts cost is \$50.

Journal: Parts Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$89	
Account 682	Cost of Sales – Parts – Counter – Retail	\$50	

Account 242	Inventory – Parts & Accessories		\$50
Account 324	Sales Taxes Payable		\$4
Account 482	Sales – Parts – Counter – Retail		\$85

483 Parts – Wholesale

Sales

Fixed Operations

Sales Synopsis

Account 483 is established to record the sales of Parts sold to other businesses for the purpose of resale to end-users.

Debits	Credits
1. Actual selling price of Parts returned by Wholesale Customers	1. Actual selling price of Parts sold to other dealers, body shops, independent garages, and other “jobbers” for the purpose of resale to retail customers

683 Parts – Wholesale

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 683 is established to record the Cost of Sales for the Parts sold in Account 483 above.

Debits	Credits
1. Cost of Parts sold to other dealers, body shops, independent garages, and other “jobbers” for the purpose of resale	1. Cost of Parts returned by customers

Example 1

Record parts sold on account to a wholesale customer for \$1,127. The parts cost is \$869.

Journal: Parts Sales - Charges

Entry:		Debit	Credit

Account 220B	Accounts Receivable – Customers – Service and Parts	\$1,127	
Account 683	Cost of Sales – Parts – Wholesale	\$869	
Account 242	Inventory – Parts & Accessories		\$869
Account 483	Sales – Parts – Wholesale		\$1,127

Comments

Parts sold to wholesale accounts are normally exempt from sales tax provided that the wholesale customer is able to produce the required government issued tax exemption account number. Federal, state and local requirements should be strictly observed. Professional tax and accounting advice should be obtained regarding the proper documentation of tax-exempt transactions.

484 Accessories

Sales

Fixed Operations

Sales Synopsis

Account 484 is established to record the sales of Accessories sold by the Parts & Accessories Department.

Debits	Credits
1. The amount of Accessories returned by customers for re-stocking	1. The selling price of Accessories sold by the Parts and Accessories Department including sales on: a. Customer Repair Orders b. Warranty Claim sales at the claim rate c. Internal sales at the Internal rate d. Counter Retail e. Wholesale

Comments

It is recommended that the Internal sales of regularly stocked parts and accessories, other than parts and accessories sold on customer repair orders, be priced at COST PLUS 25%, but not to exceed the retail selling price of the item.

If preferred, a rate sufficient to cover the prime cost of the parts and accessories plus a pro rata share of the parts and accessories department overhead may be used for all internal sales. To determine this rate, the steps below should be followed:

EXAMPLE

- Estimated annual fixed overhead expense of the parts and accessories department \$48,000
- Estimated annual amount of the parts and accessories department cost of sales / \$185,000

- Percentage Mark-up

26%

The internal selling price of parts and accessories equals cost plus 26%.

684 Accessories

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 684 is established to record the Cost of Sales of Accessories sold in Account 484 above.

Debits	Credits
1. The cost of Accessories sold	

Example 1

Record the sale of mats to a customer for \$100. The accessory sale is \$95 and sales tax is \$5. The accessory cost is \$55.

Journal: Parts Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$100	
Account 684	Cost of Sales – Accessories	\$55	
Account 242	Inventory – Parts & Accessories		\$55
Account 324	Sales Taxes Payable		\$5
Account 484	Sales – Accessories		\$95

490 Tires

Sales

Fixed Operations

Sales Synopsis

Account 490 is established to record the sales of Tires by the Parts and Accessories Department.

Debits	Credits
	<ol style="list-style-type: none">1. Actual selling price of tires sold to customers other than with new vehicles2. Actual selling price (at claim rate) of tires for which Warranty and Transportation Claims are filed3. Internal selling price of tires sold to other departments

690 Tires

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 690 is established to record the Cost of Sales of Tires sold in Account 490 above.

Debits	Credits
<ol style="list-style-type: none">1. Cost of tires sold2. Adjustment to decrease the value of Account 243, Tires (inventory)	<ol style="list-style-type: none">1. Adjustment to increase the value of Account 243, Tires (inventory)

Example 1

Record a cash sale of \$442 for the sale of mechanical labor and tires. The labor sale is \$85. The tires sale is \$340 and the sales tax is \$17. The cost of labor is \$25 and the parts cost is \$285.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$442	
Account 660A	Cost of Sales – Customer Labor – Cars & Light Duty Trucks	\$25	
Account 690	Cost of Sales – Tires	\$285	
Account 243	Inventory – Tires		\$285
Account 247A	Inventory – Work in Process – Mechanical		\$25
Account 324	Sales Taxes Payable		\$17
Account 460A	Sales – Customer Labor – Cars & Light Duty Trucks		\$85
Account 490	Sales – Tires		\$340

Note:

These sales may be costed individually at actual cost. However, at each month end, inventory adjustments to physical count values should be reflected in the applicable cost of sales accounts.

Internal sales of regularly stocked tires should be priced at cost plus 25%, but not to exceed the retail selling price item.

If it is determined that there is little or no additional cost involved in handling non-regularly stocked tires, such internal sales may be priced at a rate lower than cost plus 25%, if desired.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

491 Gas, Oil and Grease

Sales

Fixed Operations

Sales Synopsis

Account 491 is established to record the sales of Gas, other fuel, Oil, Grease and other lubricants sold by the Parts and Accessories Department.

Debits	Credits
	1. Actual selling price of gasoline (fuel), oil, grease and similar materials (lubricants) sold

691 Gas, Oil and Grease

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 691 is established to record the Cost of Sales of the items sold in Account 491 above.

Debits	Credits
1. Cost of gasoline (fuel), oil, grease and similar materials (lubricants) sold	1. Adjustment to increase the value of Account 244, Gas, Oil and Grease (inventory)
2. Adjustment to decrease the value of Account 244, Gas, Oil and Grease (inventory)	

Example 1

Record an over the counter sale of oil to a retail customer for \$13. The gas, oil and grease sale is \$12 and the sales tax is \$1. The cost of the gas, oil and grease is \$7.

Journal: Parts Sales

Entry:		Debit	Credit

Account 225	Cash Sales	\$13	
Account 691	Cost of Sales – Gas, Oil and Grease	\$7	
Account 244	Inventory – Gas, Oil and Grease		\$7
Account 324	Sales Taxes Payable		\$1
Account 491	Sales – Gas, Oil and Grease		\$12

Note:

These sales may be costed individually at actual cost. However, at each month end, inventory adjustments to physical count values should be reflected in the applicable cost of sales accounts.

492 Miscellaneous

Sales

Fixed Operations

Sales Synopsis

Account 492, Miscellaneous is established to record the sales of items, which cannot be properly classified in any other account.

Debits	Credits
	<ol style="list-style-type: none">1. Actual selling price of automotive merchandise, materials and supplies sold which are not otherwise provided for2. Actual selling price of other merchandise sold, which was recorded in Account 252 Other (inventory)

692 Miscellaneous

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 692 is established to record the Cost of Sales of items sold in Account 492 above.

Debits	Credits
<ol style="list-style-type: none">1. Cost of items recorded as sales in Account 492, Miscellaneous2. Adjustment to decrease the value of Account 252, Other (Inventory)	<ol style="list-style-type: none">1. Adjustment to increase the value of Account 252, Other (Inventory)

Example 1

Record the \$2,230 sale of a farm implement. The parts sale is \$2,125 and the sales tax is \$105. The cost of the farm implement is \$1,475.

Journal: Parts Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$2,230	
Account 692	Cost of Sales – Parts – Miscellaneous	\$1,475	
Account 492	Sales – Parts – Miscellaneous		\$2,125
Account 252	Other Inventory		\$1,475
Account 324	Sales Taxes Payable		\$105

Note:

It is preferable that these sales be costed individually at actual cost, however, they may be costed on a percentage basis at month end.

If a percentage basis is used, an accurate percentage of sales should be developed to apply as cost for each classification of sales.

Using a reasonable sample, such as a three-month sales period, all sales in each classification should be costed at actual cost on each repair order and counter sales invoice. A summary should be prepared of all sales and cost of sales included in this study. Total sales in each classification should be divided into the corresponding total actual costs. The resulting percentages should then be applied to the applicable sales classifications at each subsequent month end to determine cost of sales.

This study should be repeated as frequently as necessary.

665 Adjustment – Cost of Labor Sales - Mechanical

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 665 is established to record the amount of adjustment required to reconcile Work in Process to the actual amount of labor on open repair orders.

Debits	Credits
<p>1. Monthly adjustment of <u>Account 247, Work In Process - Labor</u>, to agree with the schedule of the cost of labor sales on mechanical repair orders in process</p>	

Example 1

Record the \$675 monthly adjustment to agree with the schedule of the cost of labor sales on mechanical repair order in process.

Journal: General Journal

Entry:		Debit	Credit
Account 665	Adjustment – Cost of Labor Sales – Mechanical	\$675	
Account 247A	Inventory – Work in Process – Mechanical		\$675

Note:

1. This adjustment represents the cost of mechanical technicians' compensation for productive time, which was not applied on repair orders.
2. This account should not have a credit balance. If it does, it is an indication of incorrect costing procedures.
3. Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

675 Adjustment – Cost of Labor Sales – Body Shop

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 675 is established to record the amount of adjustment required to reconcile Work in Process to the actual amount of labor on open repair orders.

Debits	Credits
1. Monthly adjustment of Acct 247 Work In Process - Labor to agree with the schedule of the cost of labor sales on Body Shop Repair Orders in process	

Example 1

Record the \$605 monthly adjustment to agree with the schedule of the cost of labor sales on paint & body repair orders in process.

Journal: General Journal

Entry:		Debit	Credit
Account 675	Adjustment – Cost of Labor Sales – Body Shop	\$605	
Account 247B	Inventory – Work in Process – Body Shop		\$605

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

687 Purchase Allowances

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 687 is established to record the cash or credit from the manufacturer for ordering and/or selling Parts and Accessories under regular or promotional programs.

Debits	Credits
	<ol style="list-style-type: none">1. Purchase Allowances earned2. Stock order Allowances earned3. Purchase Discounts earned on Parts and Accessories

Example 1

Record the purchase of a stock-order from the manufacturer for \$16,585 of which \$1,265 is a Purchase Allowance.

Journal: Purchase

Entry:		Debit	Credit
Account 242	Inventory – Parts & Accessories	\$16,585	
Account 300	Accounts Payable – Trade Creditors		\$15,320
Account 687	Purchase Allowances		\$1,265

688 Adjustment – Parts and Accessories Inventory

Cost of Sales

Fixed Operations

Cost of Sales Synopsis

Account 688 is established to record the amount of adjustment required to reconcile the value of inventory on hand recorded in [Account 242, Parts & Accessories](#) (Inventory).

Debits	Credits
1. Adjustment to decrease the Parts and Accessories inventory	1. Adjustment to increase the Parts and Accessories inventory
2. Inventory value of parts and accessories scrapped	2. Amount refunded under the Parts and Accessories Return Plan

Example 1

Record \$985 of appreciation in parts value due to increase in parts pricing from the manufacturer.

Journal: General Journal

Entry:		Debit	Credit
Account 242	Inventory – Parts & Accessories	\$985	
Account 688	Adjustments – Parts & Accessories Inventory		\$985

Example 2

Record the \$6,437 adjustment to bring book balance of Parts & Accessories Inventory in agreement with the physical inventory balance.

Journal: General Journal

Entry:		Debit	Credit
Account 242	Inventory – Parts & Accessories	\$6,437	
Account 688	Adjustments – Parts & Accessories Inventory		\$6,437

Example 3

Record the \$1,449 cost of parts scrapped.

Journal: Internal Sales

Entry:		Debit	Credit
Account 688	Adjustment – Parts & Accessories Inventory	\$1,449	
Account 242	Inventory – Parts & Accessories		\$1,449

DISTRIBUTION OF EXPENSES

Managing an automobile dealership is an inherently difficult task. Since dealerships are made up of New & Used Vehicle Sales Departments, Service, Parts & Body Shop Departments and more recently separate F & I and Lease & Rental Departments, running a dealership is equivalent to operating six (6) or seven (7) companies under one roof. In order to keep track of performance in each Department, it is necessary to adopt a "Profit Center" approach. Under a Profit Center structure, each Department is responsible for generating its own Sales & Gross Profit, controlling Expenses and producing an Operating Profit. Each Department manager must be held accountable for producing results and contributing to the overall "Bottom Line" of the entire Dealership.

The General Motors Dealer Operating Report is designed to show Sales & Gross Profit results for each Department. However, this alone is not enough. It is important to allocate Expenses to each Department in a fair and consistent manner. Each Department Manager should be given the responsibility and the authority to control Departmental Expenses by reasonable budgeting & forecasting and monitoring the Daily Operating Control (DOC) report.

One difficulty with this concept is the proper allocation of Expenses. Some Expenses such as the New Vehicle Floorplan Interest are clearly identified with the operation of the New Vehicle Department. On the other hand, Expenses such as Rent must be charged to each Department on a "Fair Share" basis. The methods to develop a fair share basis for the Dealership follow below.

The cardinal rule for handling Expenses is that whenever an Expense can be identified and associated with a specific Department, the entire Expense should be charged to the Department. When more than one Department share an Expense, the amount of the Expense should be pro-rated between Departments. The procedures to distribute Expenses follow.

Expenses should be distributed, on any one or any combination of the following basis, to Departments which:

1. are DIRECTLY RESPONSIBLE FOR incurring the expense.
2. receive the DIRECT BENEFIT OF the expense.
3. SHARE IN THE BENEFIT of the expense.

Each department should be viewed as a separate entity. There are expenses, which each Department must incur in order to continue operations. Using Rent as an example, the monthly Rent should be allocated on a reasonable basis to ALL DEPARTMENTS of a dealership. Department Mangers are NOT DIRECTLY RESPONSIBLE FOR THE INCURRING OF RENT EXPENSE, BUT ALL RECEIVE THE BENEFIT OF THE DEALERSHIP'S REAL ESTATE.

General and Administrative Expenses (G & A) should be viewed as a RESPONSIBILITY OF GENERAL DEALERSHIP MANAGEMENT. G & A expenses are those, which do not directly or indirectly benefit any single Department, but are associated with the continuing operation of the entire business organization. An example is the salary of an owner who functions as a general manager. Typically, General and Administrative expenses are USUALLY MINIMAL in relation to total Expenses.

No Expense item should be arbitrarily prorated to operating Departments. An item of Expense should not be haphazardly classified as General and Administrative because it is not directly incurred by or for a specific Department. It is ESPECIALLY IMPORTANT that no Expense should be classified as General and Administrative simply because it appears to be too difficult to allocate on a reasonable basis.

Most Expenses have a clear, definable nature and can be reasonably and accurately distributed to specific Departments. Expenses which cannot be so easily defined MUST BE ANALYZED, and reasonable decisions must be made as to their proper distribution. THIS IS THE RESPONSIBILITY of the accountant.

The GM Dealer's Standard Accounting provides for Expense Distribution designations through the use of a numbering system to identify each Department: It is shown in the table below.

Operating Departments:	Numeric Designation
New Vehicle Department	01
Used Vehicle Department	02
Lease and Rental Department	03
Mechanical (Service) Department:	05
Body Shop	06
Parts and Accessories Department	07
General and Administrative Department	09

Expense account numbers classify the expense and the two-digit code (above) identifies the Department to which the expense is to be distributed.

Distribution Examples

Examples of proper Expense Distribution follow below. The examples are specific rather than general so that the rationale for distributing the Expense is clear. For instance, in [Account 051, Company Vehicle Expense](#), "the allowance to the office manager using a personal vehicle to make bank deposits, credit collection, etc." should be charged to the General and Administrative Department. From this, a generalization can be inferred that an allowance to any employee using a personal vehicle for company business should be charged to the Department for which the vehicle is used.

No attempt is made to cover all possible Expenses, which a dealership may incur. The examples are provided merely to show typical items to be charged to each expense account, and to serve as an aid to correctly distribute Expenses that are common to all GM dealerships. Therefore, a dealership may incur an Expense that is not shown; but the examples should provide assistance in correctly distributing that Expense.

We are suggesting only one reasonable method to determine the manner in which a particular Expense item should be distributed. There may be other methods, which a dealer feels are more reasonable and accurate for particular Expense items; if so, they should be used.

Glossary

In order to make the distribution examples concise, phrases are used to describe the basis for distribution; they are self-explanatory. In some instances, certain key words are used in many Expense accounts. These are defined below.

- **AREA**

Measure the square footage of each Department. Then add up all the Departments for the Total Dealership as shown in the table below: Calculate each Department's percentage to the Total Dealership.

Area (Square Feet)		New Veh.	Used Veh.	Lease & Rental	Mech.	Body Shop	Parts & Access.	Gen. & Admin.
	Total	01	02	03	05	06	07	09
Square ft.	80,000	3,600	1,600	800	46,000	20,000	8,000	
% of Total		5%	2%	1%	57%	25%	10%	

Multiply the total Expense by the respective percentage to determine the specific Department's expense.

- **EMPLOYEES**

Tabulate the number of employees in each Department. Add up all the employees for the Total Dealership. Calculate the percentage of each Department's employees to the total number of employees as shown in the table below.

Employees		New Veh.	Used Veh.	Lease & Rental	Mech.	Body Shop	Parts & Access.	Gen. & Admin.
	Total	01	02	03	05	06	07	09
Number of Employees	60	12	6	4	24	8	6	
% of Total		20%	10%	7%	40%	13%	10%	

Multiply the total expense by the respective Department's percentage to determine the specific Department's expense.

- **EMPLOYEES PARTICIPATING**

When NOT all employees are involved, "Employees Participating" refers to only the employees that incur an Expense such as Health Insurance coverage or Pension Plan eligibility. Calculate the percentage of the Participating Employees in a Department to the total number of Participating Employees for the entire dealership.

Participating Employees		New Veh.	Used Veh.	Lease & Rental	Mech.	Body Shop	Parts & Access.	Gen. & Admin.
	Total	01	02	03	05	06	07	09
Number of Participating	40	5	1	1	21	8	4	

Employees								
% of Total		13%	3%	3%	51%	20%	10%	

Multiply the total expense by the respective Department's percentage to determine the specific Department's expense.

- **Relative Value Factor**

The value assigned by the dealer to each department based on importance, location, etc. Multiply the total expense by the percentage of a specific department's relative square foot value to determine that department's expense.

EXAMPLE

Relative Value Factor		New Veh.	Used Veh.	Lease & Rental	Mech	Paint & Body Shop	Parts & Access.	Gen & Admin.
	Total	01	02	03	05	06	07	09
Square Ft.	11,000	2,800	1,000	200	3,200	2,600	800	400
Relative Value Factor		X 2	1.5	X 1	X 1	X 1	X 1	X 1
Relative Square Ft.		= 5,600	= 1,500	= 200	= 3,200	= 2,600	= 800	= 400
% of Total	100%	39.1 %	10.5%	1.4%	22.4%	18.2%	5.6%	2.8%

- **TIME**

An estimate of the reasonable amount of time devoted to a task by each Department should be used to calculate the respective Department's percentage of the Expense. An example is shown below.

Time		New Veh.	Used Veh.	Lease & Rental	Mech	Paint & Body Shop	Parts & Access.	Gen & Admin.
	Total	01	02	03	05	06	07	09
Number of Hours	40	8	9	2	12	2	6	1
% of Total	100%	20%	22%	5%	30%	5%	15%	3%

Multiply the total Expense by the respective Department's percentage to determine the specific Department's expense.

- **USAGE**

A reasonable estimate of the percentage of expense items (supplies, services, equipment, etc.) that a Department is projected to use should be calculated. Tables similar to the ones above can be applied to this task. Multiply the total Expense by the calculated percentage to determine a specific Department's expense.

- Note: 1. Only expenses applicable to the operation of the business should be charged to the expense accounts.
- Note: 2. All expenses applicable to the sales of new and used other automotive merchandise and non-automotive-oriented merchandise should be classified in the regular expense accounts and distributed to the new or used vehicle department, as applicable, and the parts and accessories department, respectively.

Variable Selling Expenses

011 Vehicle Salespeople – Compensation and Other

Expenses

Variable Selling

Synopsis

All compensation including commissions, “spiffs”, prizes, and other payments paid to sales personnel are properly recorded in Account 011, Vehicle Salespeople – Compensation and Other. **Not included** is absentee pay for vacation nor compensation for attending training classes. Absentee wages are recorded in [Account 024, Absentee Compensation](#) .

Debits	Credits
<ol style="list-style-type: none">1. Salaries, Commissions, Spiffs, other compensation and Incentives based on department performance (except absentee compensation) paid or payable to salespeople for selling vehicles, protection plans, items recorded in Account 238, Other Automotive, and for vehicle leases2. Excess of guarantee over commissions earned3. Cost of prizes and premiums4. Fees and commissions paid to outsiders (e.g. “Bird-dog fees”)5. Vehicle sales commissions earned by a supervisor who also functions as a salesperson6. Salesperson Career Builder Program Fees7. The cost of various factory programs benefiting sales personnel such as<ol style="list-style-type: none">a. The Mark of Excellence programb. GM Performance Rewards	<ol style="list-style-type: none">1. The reversal of the previous month’s accrual

<p>c. GM Performance Rewards Bonus</p> <p>8. The month-end accrual of amounts earned during the current month, but payable in a subsequent period (i.e. next pay period)</p>	
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Example 1

Record the accrual of salespersons commissions at month-end in the amount of \$75,000 of which \$48,000 is for the New Vehicle Department and \$27,000 is for the Used Vehicle Department.

Journal: Payroll and General Journal

Entry:		Debit	Credit
Account 011-01	Vehicle Salespeople Compensation & Other – New Vehicles Department	\$48,000	
Account 011-02	Vehicle Salespeople Compensation & Other – Used Vehicles Department	\$27,000	
Account 321	Salaries, Wages & Commissions Payable		\$75,000

Distribution of Expenses

011 Vehicle Salespeople - Compensation & Other	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Salespeople's commissions	For new Vehicle sales	For used Vehicle sales	For leases and rentals				
Commissions and fees to outsiders	For new Vehicle sales	For used Vehicle sales	For leases and rentals				
Salaries and guarantees	Time	Time	Time				
Prized and premiums	For new Vehicle sales	For used Vehicle sales	For leases and rentals				
Commission earned by a supervisor for selling a vehicle	Total Commission	Total Commission					
Commission for selling other automotive items not installed on vehicles sold	For new other automotive sales	For used other automotive sales					

Comments

The "Pay Plan" for salespeople should be simple and provide built in incentives for generating higher levels of gross profit and volume. It should be competitive with respect to other dealerships in the area in order to attract talented personnel. Once a successful Pay Plan is developed, it should not be changed unless there are compelling reasons. Frequent changes to the Pay Plan have a demoralizing effect on the sales staff.

At the end of each month, the balance of this account should be analyzed by calculating the Compensation paid per vehicle and the balance should be compared to the total gross profit of the New and Used Vehicle Departments. Total Sales Compensation should not exceed 30% of the department's gross profit otherwise an operating loss is a likely result.

013 Delivery Expense

Expenses

Variable Selling

Synopsis

When preparing a vehicle for delivery to a customer, all expenses related to this effort are recorded in Account 013, Delivery Expense. This includes mechanical labor to service the vehicle, the cost of gasoline provided at delivery and any additional costs related to preparing the vehicle. **Not included** are reconditioning costs for used vehicles – reconditioning is recorded in [Account 647A, Reconditioning – Certified Used Cars](#) ; [Account 647B, Reconditioning – Other Used Cars](#) ; [Account 651A, Reconditioning – Certified Used Trucks](#); or [Account 651B, Reconditioning – Other Used Trucks](#).

Debits	Credits
<ol style="list-style-type: none">1. The expense at Internal selling rates of preparing vehicles for delivery2. The cost of cleaning and detailing vehicles just prior to delivery3. The cost of safety inspections required by law prior to delivery4. Internal selling price of the labor for removing accessories and optional equipment5. Internal selling price or cost of gasoline supplied with individual New & Used vehicles sold6. Cost of direct purchases of gasoline for individual New & Used vehicles sold7. The cost of supplies to maintain vehicles while in inventory such as car wash, polish, towels, cleaning rags, etc.8. Expense (such as tolls, parking, overtime meals and other expenses in addition to wages) of employees delivering vehicles to customers	<ol style="list-style-type: none">1. Courtesy or distant delivery fees received from the factory or other dealers

<p>9. The cost of minor damage to vehicles while in transit and for which a claim is not be filed against the carrier</p> <p>10. The cost of incidental items purchased solely for the delivery of use vehicles such as missing cigarette lighters, missing gearshift knobs and other removable items</p> <p>11. The internal selling price of the labor and materials for maintaining used vehicles in salable condition after the vehicles have been reconditioned</p>	
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Example 1

Record a repair order in the amount of \$107 to remove accessories from a new vehicle. The cost of labor is \$19.

Journal: Internal Sales

Entry:		Debit	Credit
Account 013-01	Delivery Expense – New Vehicles Department	\$107	
Account 663	Cost of Sales – Internal Labor – Mechanical	\$19	
Account 463	Sales – Internal Labor – Mechanical		\$107
Account 247A	Inventory – Work in Process – Mechanical		\$19

Distribution of Expenses

013 Delivery Expense	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Remove accessories from a new vehicle	Total expense						
Gasoline furnished with a used vehicle sold		Total expense					
Expense of an employee delivering a lease unit			Total expense				

Additional pre-delivery work over factory specifications	Total expense						
Washing cleaning and polishing used vehicles while in dealer inventory		Total Expense					

Comments

On a per unit basis, Delivery Expense should be sufficient to cover the cost of pre-delivery mechanical labor (depending on the dealership labor rate and internal charges), gasoline (fuel), necessary vehicle clean up and car washes. When the average expense exceeds these levels, the account should be analyzed to make sure that repairs, "goodwill", or reconditioning costs are NOT charged to this account. Repairs should be posted to the inventory value of the vehicle using the corresponding inventory account below:

- [Account 230, Demonstrators](#)
- [Account 231, New Cars](#)
- [Account 235, Medium Duty Trucks](#)
- [Account 237, New Trucks](#)
- [Account 238, Other Automotive](#)
- [Account 240, Used Cars](#)
- [Account 241, Used Trucks](#)

Note:

Failure to account for repairs properly will result in over-stated vehicle gross profits and inflated sales commissions paid to sales personnel.

015 Policy Work – Vehicles

Expenses

Variable Selling

Synopsis

When a customer returns to the dealership for “free” service not covered by the vehicle warranty, then the value of the “free” service absorbed by the dealership is debited to Account 015, Policy Work - Vehicles. Also, if the amount of warranty paid is different from the amount of the claim submitted, the difference is recorded as a debit if the amount represents an underpayment; or a credit if the warranty payment is greater than the claim.

Debits	Credits
<ol style="list-style-type: none"> Internal selling price of the labor and materials used in preparing and adjusting vehicles previously sold and leased (except under a lease maintenance agreement) for which neither the customer nor the manufacturer will be charged Adjustment for the difference between the month-end schedule of unpaid warranty and transportation claims and the balance in Account 263, Warranty Claims when the amount of claim payment is less than the warranty register amount 	<ol style="list-style-type: none"> Adjustment for the difference between the month-end schedule of unpaid warranty and transportation claims and the balance in Account 263, Warranty Claims when the amount of the claims payment is greater than the warranty register amount

Example 1

Record the cost of \$79 for a new battery installed in a used car customer’s vehicle after they had taken delivery. The internal part sale is \$55 and the cost of the part is \$55.

Journal: Internal Sales

Entry:		Debit	Credit
Account 015-02	Policy Expense – Used Vehicles Department	\$79	
Account 681	Cost of Sales – Parts – Internal	\$55	
Account 481	Sales – Parts – Internal		\$79

Account 242	Inventory – Parts & Accessories		\$55
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Distribution of Expenses

015 Policy Work-Vehicles	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Repairs and adjustments to a used vehicle previously sold		Total expense					
Adjustments to Acct. 263, Warranty Claims	Total adjustment						
Repairs and adjustments to a lease unit not covered by warranty and not subject to a maintenance agreement			Total expense				

Comments

In order to achieve or maintain a high level of customer satisfaction, it is necessary to provide occasional “Policy Work” adjustments to customers when the situation calls for it. “Policy Work”, “Policy Adjustment”, or “Goodwill” is defined as service work or parts given to a customer when it is understood that neither the customer nor the manufacturer will be charged. Examples of typical Policy Work are buffing out minor scratches, fixing minor rattles, and replacing worn parts on a used vehicle after the customer has taken delivery. It is important that employees are fully trained regarding the coverage of the manufacturer’s warranty and the dealership Policy Work so that all customers are treated consistently.

Personnel Expenses

020 Salaries – Owners / Executive Managers

Expenses

Personnel

Synopsis

The compensation paid or accrued to Owners (Dealer Principal) and Executive Managers is recorded in Account 020, Salaries – Owners / Executive Managers. Bonuses are **not included**, in this account. Bonus payments should be recorded in [Account 098, Bonuses-Owners](#).

Debits	Credits
1. Compensation paid to or accrued for (including absentee compensation) active and inactive Owners, Partners, Proprietors or Executive Managers	

Example 1

Record the monthly accrual of commission for the Executive Manager in the amount of \$30,000.

Journal: Payroll

Entry:		Debit	Credit
Account 020-09	Salaries – Owners/Executive Managers – General & Administrative	\$30,000	
Account 321	Salaries, Wages & Commissions Payable		\$30,000

Distribution of Expenses

020 Salaries- Owners/Executive Managers	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Compensation (including absentee compensation) of a sole Owner							Total expense

Compensation of inactive Owners							Total expense
Compensation of an additional Owner functioning as the service manager				Time	Time		
Compensation of Executive Managers							Total Commission

Comments

Only compensation paid or accrued to the Owners and Executive Managers are recorded in this account. Employees who own shares should have their salaries recorded in their respective categories.

Note:

Professional tax and accounting advice should be obtained regarding compensation paid to Proprietors and Partners in order to minimize tax obligations for both individuals and the dealership.

021 Salaries – Supervision

*Expenses
Personnel*

Synopsis

The compensation paid to managers and other supervisory personnel is recorded in Account 021, Salaries – Supervision. **Not included** are incentives, spiffs and commissions, which are properly posted to [Account 026, Incentives - Supervision](#).

Debits	Credits
<ol style="list-style-type: none"> 1. Compensation (except absentee compensation) of employees functioning as supervisors of operating departments and of the general office staff, such as a Business Manager, General Manager, New Vehicle Sales Manager, Service Manager, Body Shop Manager, Parts Manager and other supervisory personnel 2. Compensation of an individual Employed on a salary basis who functions as a supervisor and as a salesperson such as a Used Vehicle Manager 3. Compensation of an individual functioning as a service manager or shop foreman and as a productive technician 	

Example 1

Record the \$2,000 salary paid to parts manager of which \$700 is payroll taxes, and a \$150 payroll deduction for partial repayment of a loan.

Journal: Payroll

Entry:	Debit	Credit

Account 021-07	Salaries – Supervision – Parts & Accessories	\$2,000	
Account 025-07	Payroll Taxes – Parts & Accessories Department	\$153	
Account 321	Salaries, Wages & Commissions Payable		\$1,303
Account 294	Notes and Accounts Receivable – Other		\$150
Account 323	Payroll Taxes Payable		\$700

Distribution of Expenses

021 Salaries Supervision	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Compensation of the general manager							Total compensation
Compensation of the business manager							Total compensation
Compensation of the lease and rental department manager			Total compensation				
Compensation of the parts and accessories department manager						Total compensation	
Compensation of the combination general manager and new vehicle department manager	Time						Time
Compensation of the service department manager or body shop manager				Time	Time		

Comments

As indicated in the Expense Distribution chart above, each Supervisor's compensation should be debited to the respective Department. In the case where a manager oversees two (2) or more Departments, then the compensation should be pro rated and proportionately charged to each respective Department. Compensation plans for Supervisors should contain incentives for controlling expenses and producing profit (see [Account 026, Incentives - Supervision](#)).

Note:

Revised 1/6/2017

Job Descriptions should be prepared for each position. Periodic reviews should be conducted to discuss job performance and to set goals for the future.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

022 Salaries – Clerical

Expenses Personnel

Synopsis

The compensation paid to non-managerial, office personnel is recorded in Account 022, Salaries – Clerical.

Debits	Credits
<ul style="list-style-type: none">1. Compensation (except absentee compensation) of clerical Employees such as:<ul style="list-style-type: none">a. Bookkeepersb. DMV Clerks (billers)c. Customer Relations Coordinatorsd. Secretariese. Cashiersf. Telephone operatorsg. Inventory clerksh. Warranty clerksi. Other clerical Employees	

Example 1

Record the bi-weekly pay of the warranty clerks in the amount of \$2,952 which includes payroll taxes of \$942 and retirement benefits of \$162. The salaries, payroll taxes expense and retirement benefits expense are distributed between the Mechanical Department and the Parts and Accessories Department as shown in the example below.

Journal: Payroll

Revised 1/6/2017

Entry:		Debit	Credit
Account 022-05	Salaries – Clerical – Mechanical Department	\$1,615	
Account 022-07	Salaries – Clerical – Parts & Accessories Department	\$1,077	
Account 025-05	Payroll Taxes – Mechanical Department	\$124	
Account 025-07	Payroll Taxes – Parts & Accessories Department	\$82	
Account 029-05	Retirement Benefits – Mechanical Department	\$32	
Account 029-07	Retirement Benefits – Parts & Accessories Department	\$22	
Account 321	Salaries, Wages & Commissions Payable		\$1,848
Account 323	Payroll Taxes Payable		\$942
Account 330	Retirement Benefits Payable		\$162

Distribution of Expenses

022 Salaries-Clerical	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Compensation of dealership central telephone operators							Total Compensation
Compensation of the vehicle title clerk	Time	Time	Time				
Compensation of the parts and accessories and service cashier				Time	Time	Time	
Compensation of the lease and rental department clerk			Total Compensation				
Compensation of the warranty clerk				Department's percentage of warranty sales	Department's percentage of warranty sales	Department's percentage of warranty sales	
Compensation of the parts and accessories inventory clerk						Total Compensation	
Compensation of general clerks, bookkeepers and secretaries							Total Compensation
Compensation of the clerk responsible for the records of service & parts & accessories departments				Time	Time	Time	

Comments

Compensation for each employee should be charged to the department to which the employee is assigned as indicated in the table above. In the case where an employee produces work for more than one department, the compensation expense should be pro-rated between each respective department.

Note:

Job Descriptions should be prepared for each position. Periodic reviews should be conducted to discuss job performance and to set goals for the future.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

023 Other Salaries and Wages

Expenses Personnel

Synopsis

The compensation paid to Employees not classified in any other account is recorded in Account 023, Other Salaries and Wages.

Debits	Credits
<p>1. Compensation (except absentee compensation) of other employees such as:</p> <ul style="list-style-type: none">a. Service advisors/salespeopleb. Janitorsc. Porters and lot attendantsd. Parts helpers, counter people, and truck drivers <p>2. Other employees (other than supervisors) who:</p> <ul style="list-style-type: none">a. deliver new vehicles and lease rental unitsb. purchase and deliver used vehiclesc. repair buildings and equipment <p>3. Commissions to non-supervisory personnel on sales of service labor and of parts and accessories other than those sold with vehicles</p> <p>4. Amount of compensation of a technician for any time that is devoted to non-productive work</p> <p>5. Compensation of other Employees not otherwise provided for</p>	<p>1. Amount of compensation of such Employees for any time that is devoted to productive service work</p>

Example 1

Record the monthly accrual of the service advisors commissions in the amount of \$17,367.

Journal: Payroll

Entry:		Debit	Credit
Account 023-05	Other Salaries & Wages – Mechanical Department	\$17,367	
Account 321	Salaries, Wages & Commissions Payable		\$17,367

Distribution of Expenses

023 Other Salaries & Wages	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Compensation of the mechanical service advisor/salesperson				Total Compensation			
Compensation of the general porter or janitor	Time	Time	Time	Time	Time	Time	Time
Compensation of the used car lot attendant		Total Compensation					
Compensation of the body shop porter					Total Compensation		
Compensation of parts counter people, drivers, and helpers						Total Compensation	
Compensation of the employee who delivers vehicles	Time	Time	Time				
Commissions on labor and parts and accessories sales				Same as regular compensation	Same as regular compensation	Same as regular compensation	
Compensation of a technician for doing maintenance work in the new and used vehicle departments	Time	Time					
Compensation of the protection guard	Time	Time	Time	Time	Time	Time	Time
Compensation of the service courtesy car driver				Time	Time		

Comments

The compensation of employees in this category should be charged to the department to which the employee is assigned. In the case where work is done for more than one department, the compensation should be pro-rated and proportionately charged to each respective department.

Note:

Job Descriptions should be prepared for each position. Periodic reviews should be conducted to discuss job performance and to set goals for the future.

024 Absentee Compensation

Expenses Personnel

Synopsis

The amount of compensation paid or payable to employees (excluding owners) while away from the dealership on authorized leave is recorded in Account 024, Absentee Compensation. This includes Holiday pay, vacation pay, training school pay, jury duty pay and sick leave.

Debits	Credits
1. The amount of compensation paid or accrued to employees for Holiday and vacation pay (not including owners)	
2. The amount of Sick leave compensation paid or accrued to employees (not including owners)	
3. The compensation paid or payable to employees (not including owners) while attending training schools, classes or seminars	
4. The compensation paid to employees while serving on jury duty	

Example 1

Record a mechanical shop technician's total compensation of \$1,600 including \$800 of holiday and vacation pay. The payroll taxes are \$544.

Journal: Payroll

Entry:		Debit	Credit
Account 247A	Inventory – Work in Process – Mechanical	\$800	
Account 024-05	Absentee Compensation – Mechanical	\$800	
Account 025-05	Taxes – Payroll – Mechanical Department	\$122	
Account 321	Salaries, Wages & Commissions		\$1,178

	Payable		
Account 323	Payroll Taxes Payable		\$544

Distribution of Expenses

024 Absentee Compensation	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Holiday vacation and sick leave pay of all employees	Same as regular compensation	Same as regular compensation	Same as regular compensation	Same as regular compensation	Same as regular compensation	Same as regular compensation	Same as regular compensation
Compensation while attending training sessions for all employees	Same as regular compensation	Same as regular compensation	Same as regular compensation	Same as regular compensation	Same as regular compensation	Same as regular compensation	Same as regular compensation
All absentee compensation of technicians				Mechanical technicians compensation	Mechanical technicians compensation		

Comments

Vacation and sick pay should be accrued during the year by setting up a monthly provision for compensation earned by each employee. The monthly provision should be debited to this account and the offsetting credit should be applied to [Account 321, Salaries, Wages & Commissions Payable](#) (Accrued Liabilities). The reason for accruing vacation and sick pay is to pro-rate this expense throughout the entire year. Otherwise, during popular vacation months in the summer, the dealership's operating profit is unduly impacted by payment of compensation while employees are away from work.

The Absentee Compensation should be distributed to each respective department based on job assignment. When an employee serves two or more departments, the Absentee Compensation should be pro-rated and charged to the respective departments.

Note:

For related travel expenses when attending training sessions, refer to [Account 075, Training Expense](#).

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

025 Taxes - Payroll

Expenses Personnel

Synopsis

Account 025, Taxes – Payroll is established to record the monthly provision of the dealership's obligation for employee taxes such as the employer's share of the F.I.C.A. tax and/or unemployment taxes.

Debits	Credits
1. Monthly provision for employer's share of payroll taxes which include: a. F.I.C.A. b. Federal Unemployment c. State Unemployment d. Local municipal taxes, if applicable	

Example 1

Record the \$122 of employer's payroll taxes incurred on a mechanical shop technician's compensation of \$1,600. The \$544 of payroll taxes payable includes \$422 withheld from the technician's pay.

Journal: Payroll

Entry:		Debit	Credit
Account 247A	Inventory – Work in Process – Mechanical	\$800	
Account 024-05	Absentee Compensation – Mechanical	\$800	
Account 025-05	Taxes – Payroll – Mechanical Department	\$122	
Account 202	Cash in Bank		\$1,178
Account 323	Payroll Taxes Payable		\$544

Distribution of Expenses

Revised 1/6/2017

025 Taxes-Payroll	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
F.I.C.A.	Employees	Employees	Employees	Employees	Employees	Employees	Employees
State and federal unemployment taxes	Employees	Employees	Employees	Employees	Employees	Employees	Employees

Comments

Only the employer's share of Payroll Tax is posted to this account. Since most tax remittances are due on a quarterly basis, a monthly provision should be established and debited to this account. The offsetting credit is posted to [Account 323, Payroll Taxes Payable](#) (Accrued Liabilities).

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

026 Incentives - Supervision

*Expenses
Personnel*

Synopsis

The Incentives, spiffs and commissions paid to supervisors in addition to regular salaries are recorded in Account 026, Incentives – Supervision. Ordinary compensation such as salaries and wages are properly recorded in [Account 021, Salaries – Supervision](#).

Debits	Credits
<ol style="list-style-type: none"> 1. Amounts paid and accrued for incentives, spiffs and commissions for supervisors 2. Special payment of additional incentives to supervisors 3. The cost of factory programs benefiting supervisors such as: <ol style="list-style-type: none"> a. Business Accounting Managers (BAM) Awards Bank System (ABS) b. Award Option expenses 	

Example 1

Record the monthly incentive in the amount of \$5,323 for the parts manager.

Journal: Payroll

Entry:		Debit	Credit
Account 026-07	Incentives – Supervision – Parts & Accessories Department	\$5,323	
Account 321	Salaries, Wages & Commissions Payable		\$5,323

Distribution of Expenses

	Departmental Distribution
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026 Incentives Supervision	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Incentives paid or payable to the general manager							Total compensation
Incentives paid or payable to the business manager							Total compensation
Incentives paid or payable to the lease and rental department manager			Total compensation				
Incentives paid or payable to the parts and accessories department manager						Total compensation	
Incentives paid or payable to the combination general manager and new vehicle department manager	Time						Time
Incentives paid or payable to the service department manager				Time	Time		

Comments

Extra compensation, paid to managers and supervisors, in addition to regular compensation recorded in [Account 021, Salaries – Supervision](#), is debited to this Account. Guidelines for paying incentives should be established and clearly communicated to the managers and supervisors. Generally, incentive should be performance based using criteria such as sales production, expense control, and training of subordinates to improve productivity. Most successful incentive plans reward supervisors for producing increases in departmental operating profit.

027 Employee Benefits

Expenses Personnel

Synopsis

The cost of Employee Benefits such as life, health, dental and other insurance is recorded in Account 027, Employee Benefits.

Debits	Credits
1. The cost of insurance premiums paid or accrued for Employee Benefit plans such as: <ul style="list-style-type: none"> a. Health insurance b. Life insurance c. Dental insurance d. Long Term Care Insurance 	1. The amount of employee contribution to various benefits

Example 1

Record the \$5,500 monthly expense of workers' compensation insurance that was paid in advance. The workers' compensation insurance is distributed to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 027-01	Employee Benefits – New Vehicle Department	\$1,430	
Account 027-02	Employee Benefits – Used Vehicle Department	\$605	
Account 027-03	Employee Benefits – Lease & Rental Department	\$165	
Account 027-05	Employee Benefits – Mechanical Department	\$1,375	
Account 027-06	Employee Benefits – Body Shop Department	\$825	
Account 027-07	Employee Benefits – Parts &	\$715	

	Accessories Department		
Account 027-09	Employee Benefits – General & Administrative	\$385	
Account 271	Prepaid Insurance		\$5,500

Distribution of Expenses

027 Employee Benefits	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Group life insurance	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating
Hospitalization, health, accident and long term care insurance	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating
Laundry coverall and uniform service	Usage	Usage	Usage	Usage	Usage	Usage	Usage
Workers' compensation insurance	Employees	Employees	Employees	Employees	Employees	Employees	Employees

Comments

In the area of insurance, there is a wide range of costs and coverage between policies. Comparisons should be made to determine which provider and which plan best suits the needs of the dealership and its employees. In addition to low cost, finding the best value should be a main criterion for selecting the coverage.

The cost of Employee Benefits should be charged to each Department in proportion to the employees assigned to the Department.

Note:

One secret to attracting and retaining good employees is to provide Employee Benefits that satisfy employee needs. For this reason, the insurance plans that offer employee choices have become popular. The same is true for other fringe benefits. The cost of Employee Benefits must be weighed against the cost of recruiting, hiring and training new employees and riding out the “learning curve” until productivity becomes acceptable.

029 Retirement Benefits

Expenses Personnel

Synopsis

The amounts set aside for employee retirement plans are recorded in Account 029, Retirement Benefits. This includes pensions, 401(k) plans, annuities, and other retirement benefits.

Debits	Credits
<ol style="list-style-type: none"> 1. The monthly amounts paid or the monthly accrual for employee pension plans 2. Compensation paid retired employees 3. In lieu of a formal retirement benefits, the lump sum payments to employees upon retirement 	

Example 1

Record the payment of the salary, wages & commission in the amount of \$199,000 of which \$56,170 is payroll taxes and \$14,400 is retirement benefits. The company's contribution to a retirement plan for the employees is \$3,600. The payroll taxes and retirement benefits are distributed to each department as shown in the example below.

Journal: Payroll

Entry:		Debit	Credit
Account 321	Salaries, Wages & Commissions Payable	\$180,000	
Account 025-01	Taxes - Payroll – New Vehicles Department	\$5,090	
Account 025-02	Taxes - Payroll – Used Vehicles Department	\$3,095	
Account 025-04	Taxes - Payroll – Finance & Insurance Department	\$1,830	
Account 025-05	Taxes - Payroll – Mechanical Department	\$3,450	

Account 025-06	Taxes - Payroll – Body Shop Department	\$385	
Account 025-07	Taxes - Payroll – Parts & Accessories Department	\$1,550	
Account 029-01	Retirement Benefits – New Vehicles Department	\$1,200	
Account 029-02	Retirement Benefits – Used Vehicles Department	\$600	
Account 029-04	Retirement Benefits – Finance & Insurance Department	\$400	
Account 029-05	Retirement Benefits – Mechanical Department	\$ 900	
Account 029-06	Retirement Benefits – Body Shop Department	\$100	
Account 029-07	Retirement Benefits – Parts & Accessories Department	\$400	
Account 202	Cash in Bank		\$128,430
Account 323	Payroll Taxes Payable		\$56,170
Account 330	Retirement Benefits Payable		\$14,400

Distribution of Expenses

029 Retirement Benefits	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Formal pension or retirement fund	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating
Payments to retirees not covered by a formal plan							Total expense

Comments

Similar to employee benefit insurance plans, wide ranges of retirement plans are available. A careful study of several retirement plans is advisable. It is important to select the best overall plan that meets employee needs and offers the best value. The monthly provision is debited to this account and the offsetting credit is applied to [Account 330, Retirement Benefits Payable](#).

The cost of the Retirement Benefits should be pro-rated to each department based on the employees in the Department.

Semi-Fixed Expenses

033 Postage / Freight

Expenses

Semi-Fixed

Synopsis

Expenses incurred for shipping and receiving goods are recorded in Account 033, Postage / Freight. In addition to parts shipments, costs for overnight express deliveries such as Federal Express, UPS and other carriers are recorded in this account. It also includes the cost of daily postage.

Debits	Credits
<ol style="list-style-type: none">1. The cost of postage other than postage for direct mail advertising2. The Cost of Freight and shipping expenses for goods dispatched or received at the dealership including:<ol style="list-style-type: none">a. Postageb. Trucking Freight billsc. US Postal Serviced. Federal Expresse. UPSf. Courier charges	<ol style="list-style-type: none">1. Freight and shipping fees charged to the customer (i.e.) special ordered parts or direct parts shipments

Example 1

Record an invoice of \$613 from Federal Express for overnight deliveries. The \$613 is distributed to the departments that use Federal Express as shown in the example below.

Journal: Purchase

Entry:		Debit	Credit
Account 033-01	Postage/Freight Expense – New Vehicles Department	\$164	
Account 033-02	Postage/Freight Expense – Used Vehicles Department	\$120	

Account 033-04	Postage/Freight Expense – Finance & Insurance Department	\$274	
Account 033-09	Postage/Freight Expense – General & Administrative	\$55	
Account 300	Accounts Payable – Trade Creditors		\$613

Example 2

Record an UPS invoice in the amount of \$537 for the Parts Department.

Journal: Purchase

Entry:		Debit	Credit
Account 033-07	Postage/Freight Expense – Parts & Accessories Department	\$537	
Account 300	Accounts Payable – Trade Creditors		\$537

Distribution of Expenses

033 Postage / Freight	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Postage	Usage	Usage	Usage	Usage	Usage	Usage	Usage
The amount of trucking freight bills for shipping parts						Total expense	
The cost of shipping goods by USPS Parcel Post, Federal Express, UPS	Usage	Usage	Usage	Usage	Usage	Usage	Usage

Comments

As indicated in the Distribution of Expenses table above, the cost of shipping should be charged to the Department that benefits. Even though some fees are regulated, comparisons should be made to obtain the most favorable rates. Often, discounts are available for volume.

A record of shipments should be kept and when invoices are received from Freight and express companies, the billing should be reconciled with the shipments. Discrepancies should be resolved immediately.

051 Company Vehicle Expense

Expenses Semi-Fixed

Synopsis

The cost of routine maintenance for vehicles recorded in [Account 230, Demonstrators](#) and [Account 285, Company Vehicles](#) is posted to Account 051, Company Vehicle Expense. This includes the internal labor and parts cost for performing regularly scheduled maintenance according to the manufacturers recommendations.

Debits	Credits
<ol style="list-style-type: none">1. The Internal selling price of the labor and materials for maintaining company-owned vehicles according to manufacturer recommend service intervals (other than lease and rental units)2. The cost of car washes, gasoline and other consumable items related to the operation of Company Vehicles3. The cost of license & registration fees and safety inspections for Company Vehicles4. Expense allowances to employees for using personal vehicles for company business	<ol style="list-style-type: none">1. Amount charged to employees for using company-owned vehicles other than lease and rental units2. Occasional rental fees received from service customers using courtesy cars

Example 1

Record an Internal Repair order in the amount of \$125 for Mechanical repairs to maintain a Service loaner. The internal labor is \$100 and the parts sale is \$25. The cost of labor is \$50 and the cost of parts is \$20.

Journal: Mechanical Sales

Entry:		Debit	Credit
Account 051-05	Company Vehicle Expense – Mechanical Department	\$125	

Account 663	Cost of Sales – Internal Labor – Mechanical	\$50	
Account 681	Cost of Sales Parts – Internal	\$20	
Account 463	Sales Internal Labor – Mechanical		\$100
Account 481	Sales Parts Internal		\$25
Account 247A	Work in Process – Mechanical Labor		\$50
Account 242	Inventory Parts & Accessories		\$20

Example 2

If state and local tax regulations require the payment of sales or excise tax on Internal Sales, then the following example applies.

Record the body shop repair order in the amount of \$586 for work performed on a company vehicle. The internal paint and body labor is \$140. The internal parts sale is \$394, the paint and body shop materials is \$31 and the sales tax is \$21. The cost of labor is \$60. The parts cost is \$315 and the cost of paint and body shop materials is \$28.

Journal: Internal

Entry:		Debit	Credit
Account 051-05	Company Vehicle Expense – Mechanical Department	\$586	
Account 673	Cost of Sales – Internal Labor – Paint & Body	\$60	
Account 679	Cost of Sales – Paint & Body Shop Materials	\$28	
Account 681	Cost of Sales – Parts Internal	\$315	
Account 242	Inventory Parts & Accessories		\$315
Account 245	Inventory Paint & Body Shop Materials		\$28
Account 247B	Inventory Work in Process Body Shop		\$60
Account 324	Sales Taxes Payable		\$21
Account 473	Sales Internal Labor Paint & Body		\$140
Account 479	Sales Paint & Body Shop Materials		\$31
Account 481	Sales Parts Internal		\$394

Distribution of Expenses

051 Company Vehicle Expense	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Expense and maintenance of new vehicle department demonstrators	Total expense						

Expense and maintenance of company-owned vehicles (other than lease and rental units) assigned to specific departments	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned
Rental income from employees using company owned vehicles (other than lease and rental units)	(Credit) Department charged with expense of vehicle	(Credit) Department charged with expense of vehicle	(Credit) Department charged with expense of vehicle	(Credit) Department charged with expense of vehicle	(Credit) Department charged with expense of vehicle	(Credit) Department charged with expense of vehicle	(Credit) Department charged with expense of vehicle
Occasional courtesy car rental income from service customers				(Credit) Department making sale	(Credit) Department making sale		
Allowance to the office manager using personal vehicle to make bank deposits, credit collections, etc.							Total expense

Comments

Company Vehicles should be used for company business only such as errands, deliveries, providing transportation to customers, etc. When only one department benefits from a Company Vehicle, then the full amount of the expense should be charged to the respective department. For example, expenses related to maintaining a tow truck should be charged to the Mechanical Department (05). If more than one department benefits, then the expense should be pro-rated between departments. For example, the cost to maintain a dealership snowplow should be pro-rated and charged to all departments.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

056 Insurance – Inventory

Expenses
Semi-Fixed

Synopsis

Account 056, Insurance – Inventory is created to record the amount of monthly insurance premium paid or payable for damage or theft coverage on New and/or Used Vehicles while financed on the dealership's Floorplan line of credit.

Debits	Credits
1. The amount of Insurance expense paid or payable for coverage of New and Used Vehicles on Floorplan 2. Other monthly vehicle Insurance expense	

Example 1

Record the \$4,684 monthly expense for the insurance premium for the damage or theft of New and/or Used Vehicles. The monthly expense for the New Vehicles Department is \$2,896 and \$1,788 for the Used Vehicles Department.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 056-01	Insurance – Vehicle Inventory – New Vehicles Department	\$2,896	
Account 056-02	Insurance – Vehicle Inventory – Used Vehicles Department	\$1,788	
Account 271	Prepaid Insurance		\$4,684

Distribution of Expenses

056 Insurance Inventory	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Insurance premiums paid or payable to cover damage to New and Used Vehicles in inventory	Vehicles covered	Vehicles covered					

Other vehicle insurance expense	Vehicles covered	Vehicles covered					
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Comments

The monthly provision for payment of premiums for Insurance coverage of vehicles in inventory is debited to this account.

057 Bad Debt Expense

Expenses
Semi-Fixed

Synopsis

The monthly adjustment for receivable accounts, which are past due and considered a “Bad Debt”, is recorded in Account 057, Bad Debt Expense. Professional tax and accounting advice should be obtained regarding the proper handling of past due accounts and the related write-offs.

Debits	Credits
<ol style="list-style-type: none"> 1. Monthly adjustments to increase the balance of Account 340, Allowance for Doubtful Accounts to equal past due customer Receivables over 90 days past due 2. Direct write-offs of accounts determined to be uncollectible 	<ol style="list-style-type: none"> 1. Monthly adjustments to decrease the balance of Account 340, Allowance for Doubtful Accounts to equal past due customer Receivables

Example 1

Record the adjustment of \$4,409 necessary to establish the allowance for customer receivables over 90 days past due.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 057-01	Bad Debt Expense – New Vehicle Department	\$1,500	
Account 057-02	Bad Debt Expense – Used Vehicle Department	\$750	
Account 057-05	Bad Debt Expense – Mechanical Department	\$685	
Account 057-06	Bad Debt Expense – Body Shop Department	\$1,250	
Account 057-07	Bad Debt Expense – Parts & Accessories Department	\$224	
Account 340	Allowance for Doubtful Accounts		\$4,409

Distribution of Expenses

057 Bad Debt Expense	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Monthly Adjustment	Amount of adjustment	Amount of adjustment	Amount of adjustment	Amount of adjustment	Amount of adjustment	Amount of adjustment	Amount of adjustment

Comments

As some receivables go unpaid and become past due, the likelihood of some customers paying the amount owed decreases. After a certain time, some accounts can be deemed uncollectible. Professional tax and accounting advice should be obtained about how aged receivables can be classified as “Bad Debts” and “written off” as an expense. [Account 340, Allowance for Doubtful Accounts](#) is a reserve account for the “Bad Debts”. As accounts become over-aged, or as accounts are deemed uncollectible, [Account 340, Allowance for Doubtful Accounts](#) is credited (thereby increasing the amount of the reserve balance) and Account 057, Bad Debt Expense is debited.

Note:

In spite of the fact that a Past Due Receivable is “written off” as a Bad Debt, collection efforts should continue. In some cases, turning Bad Debts over to a collection agency may be the best choice. As a further note, the fees paid to a collection agency should be debited to [Account 069, Outside Services - \(Other\)](#).

060 Office Supplies and Expenses

Expenses

Semi-Fixed

Synopsis

Account 060, Office Supplies and Expenses is established to record the cost of various office supplies such as stationery, copy paper, pens, toner, etc. It also includes the cost of daily postage.

Debits	Credits
<ul style="list-style-type: none">1. Cost of Office Supplies and Expenses including:<ul style="list-style-type: none">a. Letterhead & stationeryb. Copy paperc. Repair Ordersd. Buyer's Orderse. Appraisal Formsf. Odometer Affidavitsg. Invoicesh. Toneri. Pens & pencilsj. Notepadsk. General Office Supplies	

Example 1

Record the purchase of a six-month supply of letterhead and stationery in the amount of \$10,410. One-sixth or \$1,735 is expensed to each department and the balance of \$8,675 is set up in prepaid expense.

Journal: Purchase

Entry:		Debit	Credit
Account 274	Prepaid Expense	\$8,675	
Account 060-01	Office Supplies & Expense – New Vehicles Department	\$607	
Account 060-02	Office Supplies & Expense – Used Vehicles Department	\$347	
Account 060-05	Office Supplies & Expense – Mechanical Department	\$434	
Account 060-09	Office Supplies & Expense – General & Administrative	\$347	
Account 300	Accounts Payable – Trade Creditors		\$10,410

Distribution of Expenses

060 Office Supplies & Expenses	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Vehicle sales invoice	Usage	Usage					
Repair orders				Usage	Usage		
Parts counter sales invoices						Total Expense	
Lease vehicle forms			Total Expense				
Bookkeeping and computer supplies	Usage	Usage	Usage	Usage	Usage	Usage	Usage
Letterheads and envelopes for other than direct mail advertising materials	Usage	Usage	Usage	Usage	Usage	Usage	Usage

Comments

Office Supplies should be competitively sourced to obtain the best quality at the best price. There is often a substantial savings for purchasing in bulk quantities. When a large supply is acquired, it should be inventoried. As supplies are used, the remaining inventory should be noted before placing a re-order. Disbursement of supplies should be convenient, but monitored to reduce waste.

As indicated in the Expense Distribution table above, Office Supplies should be charged to each Department based on usage.

Revised 1/6/2017

061 Other Supplies

Expenses Semi-Fixed

Synopsis

The cost of miscellaneous supplies and related shipping charges are properly recorded in Account 061, Other Supplies.

Debits	Credits
1. Cost of solvents, cleaning materials, rags, etc.	
2. Cost of small tools	
3. Cost of janitorial supplies	
4. Cost of supplies not otherwise provided for	

Example 1

Record the purchase of \$379 of paper mats used in customer cars when they are in for service.

Journal: Purchase

Entry:		Debit	Credit
Account 061-05	Other Supplies – Mechanical Department	\$379	
Account 300	Accounts Payable – Trade Creditors		\$379

Example 2

Record the cost of miscellaneous small tools in the amount of \$489.

Journal: Purchase

Entry:		Debit	Credit
Account 061-05	Other Supplies – Mechanical Department	\$489	
Account 300	Accounts Payable – Trade Creditors		\$489

Distribution of Expenses

061 Other Supplies	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Small tools and expendable materials for the service department				Usage	Usage		
Janitor supplies, light bulbs, etc.	Usage	Usage	Usage	Usage	Usage	Usage	Usage

Comments

The distribution of Other Supplies expenses should be according to the Expense Distribution Table above. The Department which incurs the expense or benefits from the expenditure should be charged directly whenever possible. Otherwise, Other Supplies expenses should be pro-rated among the Departments involved.

063 E-Commerce Advertising / Fees

Expenses
Semi-Fixed

Synopsis

Account 063, E-Commerce Advertising / Fees is established to record the cost of developing and maintaining the dealership's Web-Site(s). Other miscellaneous Internet expenses are also posted to this account.

Debits	Credits
<ol style="list-style-type: none"> 1. Cost to develop Dealer Web-sites 2. Cost to maintain Dealer Web-sites 3. Cost to advertise the dealership's Web-sites on other Internet sites and search engines 4. Other miscellaneous Expenses related to Internet and E-Commerce support 	

Example 1

Record the \$500 monthly expense for maintaining the dealership's website. The \$500 is distributed to each department as shown in the example below.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 063-01	E-Commerce Advertising/Fees – New Vehicles Department	\$125	
Account 063-02	E-Commerce Advertising/Fees – Used Vehicles Department	\$125	
Account 063-05	E-Commerce Advertising/Fees – Mechanical Department	\$125	
Account 063-07	E-Commerce Advertising/Fees – Parts & Accessories Department	\$125	
Account 300	Accounts Payable – Trade Creditors		\$500

Distribution of Expenses

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063 E-Commerce Advertising/Fees	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Web-site development & maintenance	Usage	Usage	Usage	Usage	Usage	Usage	Usage
Advertising of Web-site	Usage	Usage	Usage	Usage	Usage	Usage	Usage

Comments

It is not sufficient to develop a Web-site and expect customers to find it by chance. For this reason, Account 063, E-Commerce Advertising / Fees has been created to record the various initial and on-going costs to maintain the dealership's Web-sites. The expenses should be pro-rated to each Department as indicated in the Expense Distribution chart above.

064 Advertising Rebates

Expenses
Semi-Fixed

Synopsis

Account 064, Advertising Rebates is established to record monies and credits given to the dealership by manufactures, suppliers and agencies for advertising purchased.

Debits	Credits
	1. GM Match Payments per the GM Dealer Co-Op Advertising Program 2. Advertising Credits

Example 1

Record the \$20,000 received for the GM Dealer Co-Op Advertising Program. The credit is distributed to each department based on usage as shown in the example below.

Journal: Purchase

Entry:		Debit	Credit
Account 300	Accounts Payable – Trade Creditors	\$20,000	
Account 064-01	Advertising Rebates – New Vehicles Department		\$10,000
Account 064-03	Advertising Rebates – Lease & Rental Department		\$2,000
Account 064-05	Advertising Rebates – Mechanical Department		\$5,000
Account 064-07	Advertising Rebates – Parts & Accessories Department		\$3,000

Distribution of Expenses

064 Advertising Rebates	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Rebates Received from Manufacturer	(Credit) based on Usage		(Credit) based on Usage	(Credit) based on Usage		(Credit) based on Usage	

Revised 1/6/2017

Advertising Credits Received	(Credit) based on Usage	(Credit) based on Usage	(Credit) based on Usage	(Credit) based on Usage	(Credit) based on Usage	(Credit) based on Usage	
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Comments

As part of special marketing and promotional plans, the manufacturer will reimburse the dealership for a portion of the local advertising costs. These payments are credited to this account. Some TV, radio and newspaper advertising departments offer Advertising discounts by means of credits against future advertising costs. When this is the case, such credits are posted to this account.

The Rebates should be pro-rated to each respective department based on the amount of the expenditure that generated the credits.

065 Advertising

Expenses Semi-Fixed

Synopsis

The cost of advertising purchased directly by the dealership is recorded in Account 065, Advertising.

Debits	Credits
<ol style="list-style-type: none">1. The cost of all Advertising, including various media such as Newspaper, TV, Radio, Direct Mail, etc. directly related to the sales promotion of:<ol style="list-style-type: none">a. New Vehiclesb. Used Vehiclesc. Fleet Salesd. Service Labore. Partsf. Body Shop repairs2. Local Advertising & Marketing (LAM) charges as designated on factory vehicle invoices3. The monthly provision for long term ads such as:<ol style="list-style-type: none">a. Yellow Pagesb. Billboardsc. Other permanent advertising4. The cost of sponsorships of:	

<ul style="list-style-type: none"> a. Local clubs & civic organizations b. School, community or Youth activities such as: <ul style="list-style-type: none"> i. Little league teams ii. Soccer teams iii. Bowling leagues <p>5. Promotional give away items such as:</p> <ul style="list-style-type: none"> a. License plate frames b. Key fobs c. Coffee cups d. Tee shirts e. Caps & visors <p>6. Other promotional items such as:</p> <ul style="list-style-type: none"> a. Banners & pennants b. Balloons c. Special displays 	
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Example 1

Record the \$675 monthly expense of key fobs and license plates given to new and used vehicle customers. The \$675 is distributed to the New Vehicles Department and the Used Vehicles Department based on usage as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 065-01	Advertising – New Vehicles Department	\$450	
Account 065-02	Advertising – Used Vehicles Department	\$225	

Account 274	Prepaid Expense		\$675
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Example 2

Record the current months invoice in the amount of \$20,000 for advertising on the radio. The \$20,000 is distributed to each department that advertised as shown in the example below.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 065-01	Advertising – New Vehicles Department	\$12,000	
Account 065-02	Advertising – Used Vehicles Department	\$5,000	
Account 065-03	Advertising – Lease & Rental Department	\$3,000	
Account 300	Accounts Payable Trade Creditors		\$20,000

Example 3

Record the factory invoice of \$17,043 for the purchase of a new car from the manufacturer. The new car inventory value is \$16,168, the Holdback is \$525, Co-op Advertising is \$175 and New Vehicle Advertising expense is \$175.

Journal: New Vehicle Purchase

Entry:		Debit	Credit
Account 231	Inventory – New Cars	\$16,168	
Account 261	Factory Receivables – Holdback	\$525	
Account 261	Factory Receivables – Co-op Advertising	\$175	
Account 065-01	Advertising Expense – New Vehicles Department	\$175	
Account 310	Notes Payable – New Vehicle & Demos		\$17,043

Distribution of Expenses

065 Advertising	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Advertising billed on factory vehicle invoices	Total expense						
Media Advertising	Department advertised	Department advertised	Department advertised	Department advertised	Department advertised	Department advertised	Dealership advertised

Direct mail Advertising including postage	Department advertised	Department advertised	Department advertised	Department advertised	Department advertised	Department advertised	Dealership advertised
Telephone directory and other general-type Advertisements							Total expense
Free lubrications				Total expense			
Sponsorship of teams							Total expense
New vehicle showroom window posters	Total expense						
Sales promotions materials (handouts, brochures, etc.)	Department advertised	Department advertised	Department advertised	Department advertised	Department advertised	Department advertised	Dealership advertised
Road signs	Department advertised	Department advertised	Department advertised	Department advertised	Department advertised	Department advertised	Dealership advertised
Auto shows	Total expense						
Banners for used car lot		Total expense					
Promotional items (key-rings, windshield scrapers, etc.)	Usage	Usage	Usage	Usage	Usage	Usage	Usage

Comments

Advertising is one the dealerships biggest controllable expenses. A budget should be prepared for each months expenditures. Periodic reviews of overall Advertising should be conducted in order to maximize the effectiveness of the money spent. Also, some of the least expensive advertising can produce the best long-term results. Sponsorship of local organizations in surrounding communities often brings in the best customers community leaders.

066 Contributions

Expenses Semi-Fixed

Synopsis

Contributions given to various non-profit organizations are recorded in Account 066, Contributions. Professional tax and accounting advice should be obtained regarding the proper identification of non-profit organizations and their eligibility to receive tax-exempt Contributions.

Debits	Credits
1. Donations and Contributions to religious, charitable, education groups, etc.	

Example 1

Record a charitable contribution in the amount of \$5,000 to the American Cancer Society. The Dealer principal initiated the contribution.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 066-09	Contributions – General & Administrative	\$5,000	
Account 202	Cash in Bank		\$5,000

Distribution of Expenses

066 Contributions	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Contributions initiated by specific departments	When initiated by department manager	When initiated by department manager	When initiated by department manager	When initiated by department manager	When initiated by department manager	When initiated by department manager	When initiated by department manager

Comments

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In order to control this expense, decisions should be made in advance as to which organizations will receive Contributions from the dealership. It is beyond the scope of this manual to discuss charitable organizations except to recommend professional tax and accounting advice in this area. Background checks should be made to determine if an organization is a legitimate non-profit entity.

067 Policy Work - Parts and Service

Expenses Semi-Fixed

Synopsis

From time to time, a service (or parts) customer may return to the dealership with a complaint (“comeback”). Account 067, Policy Work – Parts and Service is established to record follow-up repairs performed at no charge to the customer.

Debits	Credits
<ol style="list-style-type: none"> 1. Internal selling price of the labor and materials for repairing and adjusting defective service work and for replacing defective parts and accessories sold for which neither the customer nor the manufacturer will be charged 2. Reductions in or adjustments to total charges on customer repair orders as a result of customer dissatisfaction with the work done or the amount of total charges 	

Example 1

Record the write-off of \$755 for warranty claims not submitted timely.

Journal: General Journal

Entry:		Debit	Credit
Account 067-05	Policy Work Expense – Service	\$170	
Account 067-07	Policy Work Expense – Parts & Accessories	\$585	
Account 263	Receivables – Warranty Claims		\$755

Example 2

Record a repair order in the amount of \$310 for mechanical labor performed on a service customer’s vehicle. The customer was not completely satisfied with the service and the dealership split the cost with the customer. The customer labor is \$170. The

parts sale is \$120, the other supplies are \$5 and sales tax is \$15. The cost of labor is \$50. The parts cost is \$85 and the shop supplies cost is \$4. The customer paid \$155 and the other \$155 is expensed to policy.

Journal: Service Sales - Cash

Entry:		Debit	Credit
Account 225	Cash Sales	\$155	
Account 660A	Cost of Sales – Customer Labor – Cars & Light Duty Trucks	\$50	
Account 669	Cost of Sales – Shop Supplies	\$4	
Account 667	Cost of Sales – Parts – Mechanical Repair Orders Cars & Light Duty Trucks	\$85	
Account 067-05	Policy Work – Parts & Service – Mechanical Department	\$155	
Account 460A	Sales – Customer Labor – Cars & Light Duty Trucks		\$170
Account 467	Sales – Parts – Mechanical Repair Orders Cars & Light Duty Trucks		\$120
Account 469	Sales – Other Supplies		\$5
Account 242	Inventory – Parts & Accessories		\$85
Account 242	Inventory – Parts & Accessories		\$4
Account 247A	Inventory – Work in Process - Mechanical		\$50
Account 324	Sales Taxes Payable		\$15

Distribution of Expenses

067 Policy Work-Parts & Service	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Replace defective parts installed by dealership						Total expense	
Re-do defective service work performed by a technician no longer employed				Mechanical work	Body shop work		
Reductions in or adjustments to total charges on customer repair orders as a result of customer dissatisfaction with the work done or the amount of total charges				Mechanical work	Body shop work		

Comments

For the sake of good customer relations, it may be necessary to provide service “free of charge” to complaining customers. There are occasional instances of poor service work or defective parts that give a customer a valid reason to ask for a policy adjustment. Each incident should be handled on a case-by-case basis.

An analysis of Policy Work may show patterns that might be correctable. For example, if one technician has more than an average number of “comebacks”, the technician might need more training, the appropriate tools or cautioned “not to rush” on each repair. Recognizing patterns is the first step toward correcting the underlying problems and controlling Policy Work Expense.

068 Information Technology Services

Expenses Semi-Fixed

Synopsis

The cost of computer services is recorded in Account 068, Information Technology Services. Primarily, this includes the cost of hardware leases, software licensing and service fees from the dealerships computer service provider. Professional tax and accounting advice should be obtained regarding which Information Technology Services can be expensed to this account and which should be capitalized as Fixed Assets (and depreciated accordingly to [Account 091, Depreciation - Equipment](#)).

Debits	Credits
1. Cost of outside data processing services including: <ul style="list-style-type: none"> a. Hardware leases b. Software licenses c. Service contract fees 	
2. The cost of computer services, provided by software help desks and outside computer companies (service bureaus), such as off-site data storage, specialized computer programming and other computer related services	

Example 1

Record the monthly lease payment of \$7,836 for the computer system. The expense is distributed to each department as shown in the example below.

Journal: Purchase

Entry:		Debit	Credit
Account 068-01	Information Technology Services – New Vehicles Department	\$1,646	
Account 068-02	Information Technology Services –	\$1,175	

	Used Vehicles Department		
Account 068-03	Information Technology Services – Lease & Rental Department	\$157	
Account 068-05	Information Technology Services – Mechanical Department	\$1,489	
Account 068-06	Information Technology Services – Body Shop Department	\$784	
Account 068-07	Information Technology Services – Parts & Accessories Department	\$1,410	
Account 068-09	Information Technology Services – General & Administrative	\$1,175	
Account 300	Accounts Payable Trade Creditors		\$7,836

Example 2

Record the monthly support of the computer system in the amount of \$13,227. The expense is distributed to each department as shown in the example below.

Journal: Purchase

Entry:		Debit	Credit
Account 068-01	Information Technology Services – New Vehicles Department	\$2,777	
Account 068-02	Information Technology Services – Used Vehicles Department	\$1,984	
Account 068-03	Information Technology Services – Lease & Rental Department	\$265	
Account 068-05	Information Technology Services – Mechanical Department	\$2,513	
Account 068-06	Information Technology Services – Body Shop Department	\$1,323	
Account 068-07	Information Technology Services – Parts & Accessories Department	\$2,381	
Account 068-09	Information Technology Services – General & Administrative	\$1,984	
Account 300	Accounts Payable Trade Creditors		\$13,227

Distribution of Expenses

068 Information Technology Services	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
General accounting system							Total expense

Lease and rental accounting system			Total expense				
Parts and accessories inventory system						Total expense	
Payroll system	Employees	Employees	Employees	Employees	Employees	Employees	Employees
Parts ordering system						Total expense	
Warranty claim system				Usage	Usage	Usage	
Accounts receivable system							Total expense

Comments

Computer costs should be distributed to each Department as indicated in the table above. The reason for recommending professional tax and accounting advice in this area is due to the fact that some computer hardware and software must be capitalized and depreciated. A professional advisor is in the best position to counsel the dealership about these matters.

069 Outside Services - Other

Expenses Semi-Fixed

Synopsis

Sometimes, it is necessary to hire specialists to perform various services for the dealership. Often due to the need for specialized equipment or because of insurance restrictions, it is cost effective to hire out various tasks such as Janitorial Services, Annual Parts Department Inventory, tree trimming and other such jobs. Work performed by service vendors are considered Outside Services and are posted in Account 069, Outside Services – Other. **Not included** are Data Processing expenses, which are recorded in [Account 068, Information Technology Services](#) and professional accounting and tax consulting fees that are posted to [Account 072, Legal & Auditing Expense](#).

Debits	Credits
<ol style="list-style-type: none">1. Cost of all Outside Services Other than data processing and legal & auditing2. Outside services include the following:<ol style="list-style-type: none">a. janitorial or custodian servicesb. landscaping & gardening servicesc. trash & rubbish removald. snow removale. security & burglar alarm servicesf. credit bureau servicesg. Parts Department annual physical inventoryh. collection agencies	

<ul style="list-style-type: none"> i. bank credit card service charges j. temporary employees k. armored car service l. shopper's surveys m. messenger services n. warranty claims preparation services <p>3. All other services not listed above performed by outside vendors</p>	
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Example 1

Record the \$2,175 monthly invoice for credit bureaus. The \$2,175 is distributed between the New Vehicles Department and the Used Vehicles Department based on usage in the example shown below.

Journal: Purchase

Entry:		Debit	Credit
Account 069-01	Outside Services (Other) – New Vehicles Department	\$1,327	
Account 069-02	Outside Services (Other) – Used Vehicles Department	\$848	
Account 300	Accounts Payable – Trade Creditors		\$2,175

Example 2

Record the \$2,635 monthly expense of trash removal, which is distributed to each department as shown in the example below.

Journal: Purchase

Entry:		Debit	Credit
Account 069-01	Outside Services (Other) – New Vehicles Department	\$511	
Account 069-02	Outside Services (Other) – Used Vehicles Department	\$403	
Account 069-03	Outside Services (Other) – Lease &	\$54	

	Rental Department		
Account 069-05	Outside Services (Other) – Mechanical Department	\$595	
Account 069-06	Outside Services (Other) – Body Shop Department	\$269	
Account 069-07	Outside Services (Other) – Parts & Accessories Department	\$534	
Account 069-09	Outside Services (Other) – General & Administrative	\$269	
Account 300	Accounts Payable – Trade Creditors		\$2,635

Distribution of Expenses

069 Outside Services - Other	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Protection of entire premises	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor
Protection of new car storage lot	Total expense						
Physical inventory of parts and accessories						Total expense	
Bank service charges							Total expense
New car showroom window washing	Total expense						
Refuse and snow removal	Usage	Usage	Usage	Usage	Usage	Usage	Usage
Credit card service fees	Dept. making sale	Dept. making sale	Dept. making sale	Dept. making sale	Dept. making sale	Dept. making sale	
Collection agency fees	Dept. making sale	Dept. making sale	Dept. making sale	Dept. making sale	Dept. making sale	Dept. making sale	
Credit reports	Usage	Usage	Usage	Usage	Usage	Usage	
Management fees	Total Expense	Total Expense	Total Expense	Total Expense	Total Expense	Total Expense	Total Expense
Shopper's service fees	Usage	Usage	Usage	Usage	Usage	Usage	
Janitorial service	Usage	Usage	Usage	Usage	Usage	Usage	Usage

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Warranty claims preparation service				Dept's percentage of warranty sales	Dept's percentage of warranty sales	Dept's percentage of warranty sales	
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Comments

Competitive bids should be requested or price comparisons should be made whenever Outside Services are contracted. It is important to search for the best value at the lowest price. A Purchase Order should be issued for each vendor and for each service. The invoices received from the vendor must be compared to the original Purchase Order and discrepancies should be resolved immediately. The manager of the department benefiting from the Outside Service should be responsible for inspecting quality and controlling costs.

Note:

When employees are assigned work tasks typically performed by an outside vendor, it is advisable to make sure that the employee has reasonable experience, training and skills. For the protection of the dealership, sufficient insurance coverage must be in effect.

070 Travel and Entertainment

Expenses Semi-Fixed

Synopsis

Account 070, Travel and Entertainment is established to record the expenses related to conducting business away from the dealership. This includes transportation, hotel and meal expense while attending meetings and contacting business associates.

Debits	Credits
<ol style="list-style-type: none">1. Cost of entertainment for business purposes2. Cost of travel (transportation, lodging and meals) for business purposes, other than when acquiring vehicles and attending training schools	

Example 1

Record the reimbursement to General Manager for lunch with factory representative in the amount of \$112 which is distributed to each department as shown in the example below.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 070-01	Travel & Entertainment – New Vehicles Department	\$28	
Account 070-02	Travel & Entertainment – Used Vehicles Department	\$28	
Account 070-05	Travel & Entertainment – Mechanical Department	\$28	
Account 070-07	Travel & Entertainment – Parts & Accessories Department	\$28	
Account 202	Cash in Bank		\$112

Example 2

Record the cost of the airline ticket in the amount of \$600 for the Dealer Principal to attend a Dealer Council meeting. The \$600 is distributed to each department as shown in the example below.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 070-01	Travel & Entertainment – New Vehicles Department	\$150	
Account 070-02	Travel & Entertainment – Used Vehicles Department	\$150	
Account 070-05	Travel & Entertainment – Mechanical Department	\$150	
Account 070-07	Travel & Entertainment – Parts & Accessories Department	\$150	
Account 300	Accounts Payable – Trade Creditors		\$600

Distribution of Expenses

070 Travel and Entertainment	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Travel for general business purposes							Total expense
Travel to take used vehicles to auction		Total expense					
Entertainment for business purposes	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited
Travel for auto show	Total expense						

Comments

With the following exceptions, all business related Travel and Entertainment expenses should be debited to this account and charged to the department incurring the expense or benefiting from the expenditure. A policy for business travel and entertainment and guidelines for limiting expenses should be prepared in writing for employees. Travel and Entertainment expenses should be charged directly to the department incurring or benefiting from the expense. The exceptions are:

The travel expenses incurred to acquire vehicles either for “new vehicle dealer swaps” or to buy used vehicles from a used car auction (“sale”), should be recorded in [Account 013, Delivery Expense](#).

The Travel expenses for employees to attend training classes should be recorded in [Account 075, Training Expense](#).

Note:

Professional tax and accounting advice should be obtained regarding the proper documentation of travel or entertainment expenses.

071 Memberships, Dues and Publications

Expenses Semi-Fixed

Synopsis

Account 071, Memberships, Dues and Publications is established to record the cost of belonging to trade organizations and subscribing to various trade journals.

Debits	Credits
<ol style="list-style-type: none"> 1. Cost of Business Accounting Managers (BAM) Council Program 2. Cost of Memberships in and Dues of organizations for business purposes 3. Cost of dealer associations dues 4. Cost of Used Vehicle Guidebooks 5. Cost of subscriptions to magazines, newspapers, etc. 6. Cost of parts price catalogs 	

Example 1

Record the invoice of \$198 for the New and Used Sales Managers' subscriptions to Automotive News.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 071-01	Memberships, Dues and Publications – New Vehicles Department	\$99	
Account 071-02	Memberships, Dues and Publications – Used Vehicles Department	\$99	
Account 300	Accounts Payable – Trade Creditors		\$198

Example 2

Record the cost of the membership to the Parts and Service Clubs for the Service and Parts managers for \$250.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 071-05	Memberships, Dues and Publications – Mechanical Department	\$125	
Account 071-07	Memberships, Dues and Publications – Parts & Accessories Department	\$125	
Account 202	Cash in Bank		\$250

Distribution of Expenses

071 Membership Dues & Publications	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Dealer association dues							Total expense
Publications for service department waiting room				Usage	Usage		
Parts merchandising publications						Total expense	
Publications for general use							Total expense
Business Accounting Managers (BAM) Council Program							Total expense
Membership dues	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating	Employees participating
Parts price catalogs						Total expense	

Comments

Publications such as parts price catalogs, and technical shop manuals are requirements for maintaining a highly efficient dealership. Belonging to local civic organizations such as the chamber of commerce or various state and national dealer organizations has intangible benefits for the dealership. All Membership Dues and fees should be recorded in this account. Similarly, trade journals and other automotive magazines may be essential sources of information to supplement on-the-job training for key employees.

Expenses for Memberships, Dues and various Publications should be charged to the Department, which incurs the expense as indicated in the Expense Distribution table above. In the case where more than one Department benefits, then the expenditure should be pro-rated between Departments.

Revised 1/6/2017

Whenever Memberships, Dues and Publications are paid in advance, the expenditure should be recorded in [Account 274, Prepaid Other](#). The monthly provision to expense the Prepaid amount is debited to this account and credited to [Account 274, Prepaid Other](#).

Note:

Professional tax and accounting advice should be obtained regarding the income tax deductibility of certain professional and social memberships.

072 Legal and Auditing Expense

Expenses
Semi-Fixed

Synopsis

The cost of lawyer's fees and accounting and auditing expenses are recorded in Account 072, Legal and Auditing Expense. This includes retainers and professional fees.

Debits	Credits
1. Fees paid and/or accrued for Legal and Auditing services 2. Court Costs and Filing Fees	

Example 1

Record the \$5,000 monthly accrual for the annual audit fee.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 072-09	Legal & Audit Expense – General & Administrative	\$5,000	
Account 331	Other Payables		\$5,000

Example 2

Record the invoice of \$664 for legal fees incurred due to a mechanical customer's dispute.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 072-05	Legal & Audit Expense – Mechanical Department	\$664	
Account 300	Accounts Payable – Trade Creditors		\$664

Distribution of Expenses

	Departmental Distribution
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072 Legal & Auditing Expense	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Attorney retainer fees							Total expense
Public accountant's fees							Total expense
Attorney's fees for new vehicle department legal work	Total expense						
Attorney's fees for general legal work of the dealership							Total expense
Fees for filing in small claims courts							Total expense

Comments

Legal and Auditing Expenses should be charged to the Department benefiting from the service. If more than one Department benefits, then the expense should be pro-rated to the Departments in question. Please refer to the Expense Distribution table above.

074 Telephone

Expenses Semi-Fixed

Synopsis

Cost related to Telephone lines and fax service are recorded in Account 074, Telephone.

Debits	Credits
<ol style="list-style-type: none">1. Cost of Telephone and fax services2. Cost of Intercom systems3. The monthly cost of phone and fax equipment leases4. The monthly cost of service contracts for phone and fax equipment and services	<ol style="list-style-type: none">1. The reimbursement from employees for personal, long distance calls

Example 1

Record the monthly invoice of \$4,280 from the local telephone company, which is distributed to each department as shown in the example below.

Journal: Purchase

Entry:		Debit	Credit
Account 074-01	Telephone – New Vehicles Department	\$899	
Account 074-02	Telephone – Used Vehicles Department	\$642	
Account 074-03	Telephone – Lease & Rental Department	\$86	
Account 074 05	Telephone – Mechanical Department	\$813	
Account 074-06	Telephone – Body Shop Department	\$428	
Account 074-07	Telephone – Parts & Accessories Department	\$770	
Account 074-09	Telephone – General & Administrative	\$642	
Account 300	Accounts Payable – Trade Creditors		\$4,280

Distribution of Expenses

074 Telephone	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Basic Telephone service charge	Outlets	Outlets	Outlets	Outlets	Outlets	Outlets	Outlets
Toll calls and long distance calls	Department responsible	Department responsible	Department responsible	Department responsible	Department responsible	Department responsible	Department responsible
800 line or lease line	Usage	Usage	Usage	Usage	Usage	Usage	Usage
Separate used car office billing		Total expense					
FAX charges	Usage	Usage	Usage	Usage	Usage	Usage	Usage

Comments

The cost of Telephone and fax service should be pro-rated to each department based on usage as indicated in the Expense Distribution table above. Long distance calls should be charged to the respective Department. When control of Long Distance calls becomes an issue, an authorization system should be adopted so that permission must be granted to make all such calls.

075 Training Expense

Expenses
Semi-Fixed

Synopsis

Account 075, Training Expense is established to record the cost of training for dealership employees. Tuition, books, texts, training materials as well as travel expenses to attend training are posted to this account.

Debits	Credits
1. Cost of tuition and training materials	
2. Cost of meals, lodging and transportation while attending training schools	
3. Cost of videotapes, books, and other training material for use at the dealership	
4. Cost of participation in the Standards For Excellence (SFE) / Pinnacle programs	

Example 1

Record the reimbursement of \$648 to a mechanical technician for expenses incurred for meals and lodging while attending training school.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 075-05	Training – Mechanical Department	\$648	
Account 202	Cash in Bank		\$648

Example 2

Record the payment of \$10,000 to GM for the dealership's participation in the Standards For Excellence (SFE) / Pinnacle programs.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
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Account 075-01	Training Expense – New Vehicles Department	\$3,500	
Account 075-02	Training Expense – Used Vehicles Department	\$2,000	
Account 075-05	Training Expense – Mechanical Department	\$2,000	
Account 075-06	Training Expense – Body Shop Department	\$1,000	
Account 075-07	Training Expense – Parts & Accessories	\$1,500	
Account 300	Accounts Payable – Trade Creditors		\$10,000

Distribution of Expenses

075 Training Expense	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Tuition for Employees	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited
Salespeople's kits	Department benefited	Department benefited	Department benefited				
Lodging and travel while attending school	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited

Comments

As indicated in the Expense Distribution chart above, Training Expenses should be charged to the employee's Department. If an employee is assigned to more than one Department, the expense should be pro-rated to the respective Departments.

Note:

As a result of training, an improvement in employee effectiveness should be the intended result. Measuring improvement is often difficult and sometimes the improvement is noticeable only after time has been allowed to apply the training to new situations.

076 Interest Floorplan

Expenses Semi-Fixed

Synopsis

Account 076, Interest Floorplan is established to record the interest charges on vehicles in inventory, financed under the dealership's Floorplan line of credit.

Debits	Credits
1. Interest expense paid or accrued for new and used vehicles on Floorplan	

Example 1

Record the accrual of floorplan interest for the current month in the amount of \$9,183.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 076-01	Interest Floorplan – New Vehicles Department	\$6,837	
Account 076-02	Interest Floorplan – Used Vehicles Department	\$2,346	
Account 320	Interest Payable		\$9,183

Distribution of Expenses

076 Interest Floorplan	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Interest on new vehicles and demonstrators	Floorplan Interest						
Interest on used vehicles		Floorplan Interest					

Comments

Revised 1/6/2017

Monthly statements from the lending institution itemizing interest charges should be reconciled and any discrepancies should be resolved immediately. Floorplan Interest on new vehicles and demonstrators should be charged to the New Vehicle Department. Used vehicle Floorplan Interest should be handled similarly.

Note:

When vehicles are financed on a wholesale line of credit, the loan is considered to be short term. This means that vehicles on Floorplan should be paid off as they are sold.

077 Miscellaneous Expense

Expenses
Semi-Fixed

Synopsis

Account 077, Miscellaneous Expense is established to record expense that cannot properly be classified and applied to any other expense account.

Debits	Credits
1. Cost of operating expenses not otherwise provided for	

Example 1

Record the \$2,500 monthly accrual for the Christmas party, which is distributed to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 077-01	Miscellaneous Expense – New Vehicles Department	\$525	
Account 077-02	Miscellaneous Expense – Used Vehicles Department	\$375	
Account 077-03	Miscellaneous Expense – Lease & Rental Department	\$50	
Account 077-05	Miscellaneous Expense – Mechanical Department	\$575	
Account 077-06	Miscellaneous Expense – Body Shop Department	\$250	
Account 077-07	Miscellaneous Expense – Parts & Accessories Department	\$350	
Account 077-09	Miscellaneous Expense – General & Administrative	\$375	
Account 331	Other Payables		\$2,500

Distribution of Expenses

	Departmental Distribution

077 Miscellaneous Expense	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Departmental meetings	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited
Dealership meeting							Total expense
Gifts not attributed to specific departments							Total expense
Auction registration fees		Total expense					
Advertising for help	Department advertising	Department advertising	Department advertising	Department advertising	Department advertising	Department advertising	Department advertising
Vehicles damaged by Employee negligence	Employees responsible	Employees responsible	Employees responsible	Employees responsible	Employees responsible	Employees responsible	Employees responsible
Charges to the dealership under the Parts and Accessories Return Plan						Total expense	

Comments

Very few items should be charged to this account. However, expenses such as the cost of temporary help, flowers for special occasions, gifts, and employee meals are properly recorded in this account.

078 Interest – Floorplan Credit

*Expenses
Semi-Fixed*

Synopsis

Credits received from the manufacturer to offset Floorplan Interest charges are posted to Account 078, Interest – Floorplan Credit.

Debits	Credits
	1. Interest credits received from the factory on new vehicles on Floorplan

Example 1

Record the floorplan interest credit of \$6,379 received from the factory.

Journal: Purchase

Entry:		Debit	Credit
Account 300	Accounts Payable – Trade Creditors	\$6,379	
Account 078-01	Interest – Floorplan Credit – New Vehicles Department		\$6,379

Distribution of Expenses

078 Interest – Floorplan Credit	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Credit Received to Offset Floorplan Interest on New Vehicles	(Credit) from Factory						

Comments

If the manufacturer reimburses the dealership for Floorplan Interest, the amount is recorded in this account. Careful attention should be paid to the program rules.

079 Interest – Notes Payable Other

Expenses Semi-Fixed

Synopsis

Account 079, Interest – Notes Payable Other is established to record the interest that is paid or payable on various bank or private loans granted to the dealership. **Not included** are interest charges for New or Used Vehicles financed on the dealership's Floorplan line of credit, mortgages secured by dealership property, nor lease/rental vehicles.

Debits	Credits
1. Interest expense paid or accrued on obligations not secured by real estate mortgages, lease and rental units nor vehicle inventories	

Example 1

Record the monthly payment of \$4,714 for a loan that is due on the last day of the month. The amount of principal is \$3,676 and the interest of \$1,042 distributed to each department as shown in the example below.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 334	Long Term Debt	\$3,676	
Account 079-01	Interest – Notes Payable Other – New Vehicle Department	\$219	
Account 079-02	Interest – Notes Payable Other – Used Vehicle Department	\$156	
Account 079-03	Interest – Notes Payable Other – Lease & Rental Department	\$21	
Account 079-05	Interest – Notes Payable Other – Mechanical Department	\$198	
Account 079-06	Interest – Notes Payable Other – Body Shop Department	\$104	
Account 079-07	Interest – Notes Payable Other – Parts & Accessories Department	\$188	
Account 079-09	Interest – Notes Payable Other –	\$156	

	General & Administrative		
Account 202	Cash in Bank		\$4,718

Distribution of Expenses

079 Interest- Notes Payable Other	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Interest on other notes payable	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor
Interest on tax delinquencies	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor
Interest on Driver Training Vehicles	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor	Relative Value Factor
Interest on Company Vehicles	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited	Department benefited

Comments

Only the interest paid or payable on capital loans, or private loans is posted to this account. As monthly statements are received from lenders, an inspection should be done to make sure that the previous payment has been posted properly and that the correct amount of principal and interest has been credited. Discrepancies should be reconciled immediately.

080 Rent
Expenses
Fixed

Synopsis

Account 080, Rent is established to record the monthly amount paid or payable to the landlord as rent and other expenses related by agreement to the rental and leasing of property used in the automobile business.

Debits	Credits
1. Rent for real estate 2. Taxes included in monthly rental payment 3. Insurance included in monthly rental payment	1. Amounts received from subletting part of the premises occupied by the dealership

Example 1

Record the monthly payment of \$25,000 for the rent for dealership property. The \$25,000 is distributed to each department as shown in the example below.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 080-01	Rent – New Vehicles Department	\$5,250	
Account 080-02	Rent – Used Vehicles Department	\$3,750	
Account 080-03	Rent – Lease & Rental Department	\$1,250	
Account 080-05	Rent – Mechanical Department	\$4,750	
Account 080-06	Rent – Body Shop Department	\$3,750	
Account 080-07	Rent – Parts & Accessories Department	\$4,000	
Account 080-09	Rent – General & Administrative	\$2,250	
Account 202	Cash in Bank		\$25,000

Distribution of Expenses

080 Rent	Departmental Distribution						
	New Veh.	Used Veh.	Lease & Rental	Mechanical	Body Shop	Parts & Access.	Gen & Admin.

	01	02	03	05	06	07	09
Individual Rental agreement including taxes and insurance for specific locations	Department occupying location	Department occupying location	Department occupying location	Department occupying location	Department occupying location	Department occupying location	Department occupying location
Rental agreement including taxes and insurance for several or all departments	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor
New vehicle storage lot Rental	Total expense						
Separate used car lot Rental agreement including taxes and insurance		Total expense					
Rental income from an affiliated company for the use of space in the dealership general office							(Credit) Total income
Rental income from subletting a portion of a rented used car lot		(Credit) Total income					

Comments

The distribution of Rent expense to each Department should be done by a RELATIVE VALUE FACTOR basis as indicated in the table above. Each Department should be charged with a “fair share” of the total dealership Rent expense.

Note:

At the beginning of a lease, if a security deposit representing the final month’s rent is required, the security deposit should be recorded in [Account 296, Other Investments and Miscellaneous Assets](#).

081 Amortization - Leaseholds

Expenses

Fixed

Synopsis

The monthly provision to Amortize Leaseholds and leasehold improvements is recorded in Account 081, Amortization – Leaseholds. Professional tax and accounting advice should be obtained regarding the proper handling of leaseholds and leasehold improvements and the related amortization schedules.

Debits	Credits
1. Monthly provision for Amortization of Leaseholds and leasehold improvements	

Example 1

Record the monthly provision of \$4,275 for the amortization of leasehold improvements. The \$4,275 is distributed to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 081-01	Amortization – Leaseholds – New Vehicles Department	\$898	
Account 081-02	Amortization – Leaseholds – Used Vehicles Department	\$641	
Account 081-03	Amortization – Leaseholds – Lease & Rental Department	\$86	
Account 081-05	Amortization – Leaseholds – Mechanical Department	\$812	
Account 081-06	Amortization – Leaseholds – Body Shop Department	\$427	
Account 081-07	Amortization – Leaseholds – Parts & Accessories Department	\$770	
Account 081-09	Amortization – Leaseholds – General & Administrative	\$641	
Account 356	Accumulated Amortization – Leasehold Improvements		\$4,275

Distribution of Expenses

081 Amortization Leaseholds	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Leaseholds and improvements for separate used car lot		Total expense					
Leaseholds and improvements for several or all departments	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor

Comments

When a leasehold improvement is done for the benefit of a single Department, such as an overhead cover for the service write-up driveway, then the benefiting Department should be charged with the monthly provision of the Leasehold Amortization. If more than one department benefits, then the monthly provision should be pro-rated to each respective Department, by using the relative value factor.

082 Repairs – Real Estate

Expenses

Fixed

Synopsis

The cost of making repairs (as opposed to making improvements) is recorded in Account 082, Repairs – Real Estate. Professional tax and accounting advice should be obtained regarding the classification of repairs versus improvements.

Debits	Credits
1. Cost of maintaining and Repairing Real Estate whether owned or leased	

Example 1

Record the cost of \$635 for the repairs to the garage door in the service lane.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 082-05	Repairs – Real Estate – Mechanical Department	\$635	
Account 300	Accounts Payable – Trade Creditors		\$635

Distribution of Expenses

082 Repairs – Real Estate	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
General repairs, painting, etc., to the main building (not capitalized)	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor
Plumbing repairs in the body shop					Total expense		
Replace broken window in the showroom	Total expense						

Minor repairs to the used car lot blacktop		Total expense					
Painting of the general office area							Total expense

Comments

When repairs to the dealership facility (real estate) are performed for a single Department, then the expense should be charged to the department. When more than one Department benefits from a repair, then the expense should be pro-rated according to the Expense Distribution table above.

Note:

Not included in this account are costs related to Improvements to real estate owned by the dealership, which are properly recorded in [Account 083, Depreciation – Buildings and Improvements](#).

083 Depreciation – Buildings and Improvements

Expenses

Fixed

Synopsis

Account 083, Depreciation – Buildings and Improvements is established to record the monthly provision to Depreciate Building and Improvements used in the dealership's auto business.

Debits	Credits
1. Monthly provision for Depreciation of Buildings and Improvements	

Example 1

Record the monthly depreciation expense of \$10,150 for the building and improvements. The \$10,150 is distributed to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 083-01	Depreciation – Buildings & Improvements – New Vehicles Department	\$2,132	
Account 083-02	Depreciation – Buildings & Improvements – Used Vehicle Department	\$1,522	
Account 083-03	Depreciation – Buildings & Improvements – Lease & Rental Department	\$203	
Account 083-05	Depreciation – Buildings & Improvements – Mechanical Department	\$1,929	
Account 083-06	Depreciation – Buildings & Improvements – Body Shop Department	\$1,015	
Account 083-07	Depreciation – Buildings & Improvements – Parts & Accessories Department	\$1,827	

Account 083-09	Depreciation – Buildings & Improvements – General & Administrative Department	\$1,522	
Account 351	Accumulated Depreciation – Building & Improvements (Auto Business Only)		\$10,150

Distribution of Expenses

083 Depreciation – Buildings and Improvements	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Main building which all departments occupy	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor
Separate body shop					Total expense		
Separate used car office building		Total expense					

Comments

The monthly provision to Depreciate Buildings and Improvements should be pro-rated to each Department using the relative value factor method. The exception is when a Department occupies a completely separate facility such as an off-site used vehicle lot. For these exceptions, the entire monthly depreciation is charged to the benefiting Department.

084 Taxes – Real Estate

Expenses

Fixed

Synopsis

Account 084, Taxes – Real Estate is established to record the monthly provision for Taxes due on Real Estate owned by the dealership and used for the auto business only.

Debits	Credits
<ol style="list-style-type: none">1. Monthly provision for Taxes on Real Estate and improvements owned by the dealership2. Monthly provision for taxes on a building built by the dealership situated on leased land	

Example 1

Record the monthly expense of \$3,813 for the real estate taxes paid in advance. The \$3,813 is distributed to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 084-01	Taxes – Real Estate – New Vehicle Department	\$1,335	
Account 084-02	Taxes – Real Estate – Used Vehicle Department	\$763	
Account 084-03	Taxes – Real Estate – Lease & Rental Department	\$75	
Account 084-05	Taxes – Real Estate – Mechanical Department	\$763	
Account 084-06	Taxes – Real Estate – Body Shop Department	\$267	
Account 084-07	Taxes – Real Estate – Parts & Accessories Department	\$419	
Account 084-09	Taxes – Real Estate – General & Administrative	\$191	
Account 270	Prepaid Taxes		\$3,813

Distribution of Expenses

084 Taxes – Real Estate	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Taxes applicable to all or several departments	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor
Taxes on a separate body shop					Total expense		
Taxes on a separate new car storage shop	Total expense						

Comments

The monthly provision for Real Estate Taxes should be pro-rated to each Department using the relative value factor method. The exception is when a Department occupies a completely separate facility such as an off-site service department. For these exceptions, the entire monthly provision is charged to the benefiting Department.

085 Insurance – Buildings and Improvements

Expenses

Fixed

Synopsis

Account 085, Insurance – Buildings and Improvements is established to record the monthly provision for the policy premium covering Buildings and Improvements owned by the dealership and used for the auto business.

Debits	Credits
1. Monthly provision for insurance on real estate and improvements owned by the dealership 2. Monthly provision for insurance on a building built by the leadership situated on leased land	

Example 1

Record the monthly expense for the commercial property in the amount of \$1,250 and the garage keeper's insurance in the amount of \$7,000 that had been paid in advance. Both the \$1,250 and the \$7,000 are distributed to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 085-01	Insurance – Buildings & Improvements – New Vehicle Department	\$225	
Account 085-02	Insurance – Buildings & Improvements – Used Vehicle Department	\$188	
Account 085-03	Insurance – Buildings & Improvements – Lease & Rental Department	\$88	
Account 085-05	Insurance – Buildings & Improvements – Mechanical Department	\$225	
Account 085-06	Insurance – Buildings & Improvements – Body Shop Department	\$187	
Account 085-07	Insurance – Buildings & Improvements – Parts & Accessories Department	\$175	
Account 085-09	Insurance – Buildings & Improvements	\$162	

	– General & Administrative		
Account 088-01	Insurance – Other – New Vehicle Department	\$1,470	
Account 088-02	Insurance – Other – Used Vehicle Department	\$1,050	
Account 088-03	Insurance – Other – Lease & Rental Department	\$140	
Account 088-05	Insurance – Other – Mechanical Department	\$1,330	
Account 088-06	Insurance – Other – Body Shop Department	\$700	
Account 088-07	Insurance – Other – Parts & Accessories Department	\$1,260	
Account 088-09	Insurance – Other – General & Administrative	\$1,050	
Account 271	Prepaid Insurance		\$8,250

Distribution of Expenses

085 Insurance – Building and Improvements	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Billing applicable to several or all departments	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor
Billing for separate lease and rental building			Total expense				
Billing for separate used car building		Total expense					

Comments

The monthly provision for Insurance covering Buildings and Improvements should be pro-rated to each Department using the relative value factor method. The exception is when a Department occupies a completely separate facility such as an off-site used vehicle lot. For these exceptions, the entire monthly provision is charged to the benefiting Department.

Note:

In most cases, insurance premiums are paid in advance for annual, semi-annual or quarterly periods. When this is the case, the amount of the premium is recorded in

[Account 271, Prepaid Insurance](#). A monthly provision to “expense” the premium is applied to this account, Account 085, Insurance – Buildings and Improvements.

086 Interest - Mortgages

Expenses

Fixed

Synopsis

The monthly provision for Interest paid or payable on Mortgage loans secured by real estate owned by the dealership and used in the auto business is recorded in Account 086, Interest –Mortgages.

Debits	Credits
1. Interest paid or accrued on mortgages payable	

Example 1

Record the accrual of \$22,500 for interest on the real estate mortgage for the current month. The \$22,500 is distributed to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 086-01	Interest – Mortgages – New Vehicles Department	\$4,725	
Account 086-02	Interest – Mortgages – Used Vehicles Department	\$3,375	
Account 086-03	Interest – Mortgages – Lease & Rental Department	\$450	
Account 086-05	Interest – Mortgages – Mechanical Department	\$4,275	
Account 086-06	Interest – Mortgages – Body Shop Department	\$2,250	
Account 086-07	Interest – Mortgages – Parts & Accessories Department	\$4,050	
Account 086-09	Interest – Mortgages – General & Administrative	\$3,375	
Account 320	Interest Payable		\$22,500

Distribution of Expenses

086 Interest - Mortgages	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Mortgage interest applicable to several or all departments	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor	Relative value factor
Mortgage interest for separate lease and rental building			Total expense				
Mortgage interest for separate used car building		Total expense					

Comments

The monthly provision for Interest paid on Real Estate Mortgages should be pro-rated to each Department using the relative value factor method. The exception is when a Department occupies a completely separate facility such as an off-site body shop. For these exceptions, the entire monthly provision is charged to the benefiting Department.

As monthly statements are received from the lender, it should be inspected to make sure that the previous payment has been properly credited. Discrepancies should be recorded immediately.

087 Utilities

Expenses

Fixed

Synopsis

Account 087, Utilities is established to record the monthly amount paid or payable for water, electricity, and heating fuel consumed by the dealership other than Telephone expense, which is recorded in [Account 074, Telephone](#).

Debits	Credits
1. Cost of fuel, electricity, water, etc.	

Example 1

Record the monthly invoice of \$4,781 for the electricity. The \$4,781 is distributed to each department as shown in the example below.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 087-01	Utilities – New Vehicles Department	\$1,004	
Account 087-02	Utilities – Used Vehicles Department	\$717	
Account 087-03	Utilities – Lease & Rental Department	\$239	
Account 087-05	Utilities – Mechanical Department	\$909	
Account 087-06	Utilities – Body Shop Department	\$717	
Account 087-07	Utilities – Parts & Accessories Department	\$765	
Account 087-09	Utilities – General & Administrative	\$430	
Account 300	Accounts Payable – Trade Creditors		\$4,781

Distribution of Expenses

087 Utilities	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Utility charges for separate new truck showroom	Total expense						

Electricity for separate used car lot		Total expense					
Electricity or heating fuel applicable to several or all departments	Area or usage	Area or usage	Area or usage	Area or usage	Area or usage	Area or usage	Area or usage
Water applicable to several or all departments	Usage	Usage	Usage	Usage	Usage	Usage	Usage

Comments

Unless a Department operates from a separate, off-site facility, the Utilities expense should be pro-rated to each Department based on usage as indicated in the Expense Distribution table above.

088 Insurance - Other

Expenses

Fixed

Synopsis

Account 088, Insurance – Other is established to record the monthly provision to pay the policy premium for insurance coverage. **Not included** are premiums for real estate, which is posted to [Account 085, Insurance – Buildings & Improvements](#); lease and rental units, which are covered under automobile liability policies; and worker's compensation, which is recorded in [Account 027, Employee Benefits](#).

Debits	Credits
1. Monthly provision for Insurance other than on real estate, improvements, lease and rental units and worker's compensation	

Example 1

Record the monthly expense for the commercial property in the amount of \$1,250 and the garage keeper's insurance in the amount of \$7,000 that had been paid in advance. Both the \$1,250 and the \$7,000 are distributed to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 085-01	Insurance – Buildings & Improvements – New Vehicle Department	\$225	
Account 085-02	Insurance – Buildings & Improvements – Used Vehicle Department	\$188	
Account 085-03	Insurance – Buildings & Improvements – Lease & Rental Department	\$88	
Account 085-05	Insurance – Buildings & Improvements – Mechanical Department	\$225	
Account 085-06	Insurance – Buildings & Improvements – Body Shop Department	\$187	
Account 085-07	Insurance – Buildings & Improvements – Parts & Accessories Department	\$175	
Account 085-09	Insurance – Buildings & Improvements – General & Administrative	\$162	
Account 088-01	Insurance – Other – New Vehicle Department	\$1,470	

Account 088-02	Insurance – Other – Used Vehicle Department	\$1,050	
Account 088-03	Insurance – Other – Lease & Rental Department	\$140	
Account 088-05	Insurance – Other – Mechanical Department	\$1,330	
Account 088-06	Insurance – Other – Body Shop Department	\$700	
Account 088-07	Insurance – Other – Parts & Accessories Department	\$1,260	
Account 088-09	Insurance – Other – General & Administrative	\$1,050	
Account 271	Prepaid Insurance		\$8,250

Distribution of Expenses

088 Insurance - Other	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Accounts receivable							Total expense
Fidelity bond	Employees	Employees	Employees	Employees	Employees	Employees	Employees
Collision coverage for company-owned vehicles other than lease and rental units	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned
General contents	Department's Percentage of Insured Contents	Department's Percentage of Insured Contents	Department's Percentage of Insured Contents	Department's Percentage of Insured Contents	Department's Percentage of Insured Contents	Department's Percentage of Insured Contents	Department's Percentage of Insured Contents
Valuable papers and records							Total expense
Plate glass and lettering in showroom (if separate from building insurance)	Total expense						
Money and securities							Total expense
Business interruption and liability coverage	Department's percentage of year-to-date gross profit	Department's percentage of year-to-date gross profit	Department's percentage of year-to-date gross profit	Department's percentage of year-to-date gross profit	Department's percentage of year-to-date gross profit	Department's percentage of year-to-date gross profit	
Umbrella coverage	Employees	Employees	Employees	Employees	Employees	Employees	Employees
Comprehensive garage liability	Employees	Employees	Employees	Employees	Employees	Employees	Employees

Comments

Premiums for policies such as the general garage keepers policy, business interruption insurance, umbrella coverage, general contents & fire insurance, automobile coverage for company owned vehicles and other various policies are properly recorded in this account. In most cases, the premiums are paid in advance for annual, semi-annual, or quarterly terms. When this is the case, the premiums are recorded in [Account 271, Prepaid Insurance](#) and the monthly provision is posted to Account 088, Insurance Other.

089 Taxes - Other

Expenses

Fixed

Synopsis

Account 089, Taxes – Other is established to record the monthly provision for taxes and licenses that cannot properly be recorded in any other account. Professional tax and accounting advice should be obtained regarding the proper classification and accounting for other taxes.

Debits	Credits
1. Monthly provision for taxes and licenses not otherwise provided for in any other account: a. Personal property taxes b. Gross Receipts taxes c. Business Licenses d. Permits	

Example 1

Record the monthly expense of \$1,250 for personal property taxes. The \$1,250 is distributed to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 089-01	Taxes – Other – New Vehicle Department	\$263	
Account 089-02	Taxes – Other – Used Vehicle Department	\$187	
Account 089-03	Taxes – Other – Lease & Rental Department	\$63	
Account 089-05	Taxes – Other – Mechanical Department	\$237	
Account 089-06	Taxes – Other – Body Shop	\$188	

	Department		
Account 089-07	Taxes – Other – Parts & Accessories Department	\$200	
Account 089-09	Taxes – Other – General & Administrative	\$112	
Account 270	Prepaid Taxes		\$1,250

Distribution of Expenses

089 Taxes - Other	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Personal property taxes	Department's percentage of taxable items	Department's percentage of taxable items	Department's percentage of taxable items	Department's percentage of taxable items	Department's percentage of taxable items	Department's percentage of taxable items	Department's percentage of taxable items
Tags for company owned vehicles other than lease and rental units	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned
Use taxes (not capitalized)	Equipment and supplies usage	Equipment and supplies usage	Equipment and supplies usage	Equipment and supplies usage	Equipment and supplies usage	Equipment and supplies usage	Equipment and supplies usage
General business licenses							Total expense
Specific business licenses	Operation licensed	Operation licensed	Operation licensed	Operation licensed	Operation licensed	Operation licensed	
Gross receipt taxes	Year-to-date sales	Year-to-date sales	Year-to-date sales	Year-to-date sales	Year-to-date sales	Year-to-date sales	
Taxes on specific signs	Department advertised	Department advertised	Department advertised	Department advertised	Department advertised	Department advertised	
Taxes on general signs							Total expense
Certification fees for technicians				Mechanical technicians certified	Mechanical technicians certified		
Capital stock and franchise taxes not based on income							Total expense
Salespeople's licenses	For new vehicle sales	For used vehicle sales	For leases				

Comments

Revised 1/6/2017

Whenever possible, Taxes – Other should be charged to the Department, which incurs the tax. If more than one Department is involved, the expense should be pro-rated based on usage. Please refer to the Expense Distribution table above.

090 Repairs - Equipment

Expenses

Fixed

Synopsis

Account 090, Repairs – Equipment is established to record the cost of performing repairs on equipment owned by the dealership and used in the auto business. The monthly provision for equipment service contracts is also posted to this account.

Debits	Credits
1. Cost of maintaining and Repairing Equipment other than company owned vehicles	

Example 1

Record the cost of repairing a lift in the mechanical shop in the amount of \$459.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 090-05	Repairs – Equipment – Mechanical Department	\$459	
Account 300	Accounts Payable – Trade Creditors		\$459

Example 2

Record the monthly expense of \$350 for the maintenance contract on the copier machine.

Journal: Standard Journal

Entry:		Debit	Credit
Account 090-09	Repairs – Equipment – General & Administrative	\$350	
Account 274	Prepaid Expenses - Other		\$350

Distribution of Expenses

090 Repairs - Equipment	Departmental Distribution						
	New Veh.	Used Veh.	Lease & Rental	Mechanical	Body Shop	Parts & Access.	Gen & Admin.

	01	02	03	05	06	07	09
Repairs to body shop equipment					Total expense		
Repairs to parts bins						Total expense	
Maintenance contract on equipment	Equipment covered	Equipment covered	Equipment covered	Equipment covered	Equipment covered	Equipment covered	Equipment covered
Maintenance contract on service department lifts				Equipment covered	Equipment covered		
Repair copying machine used in the general office							Total expense
Repairs to general office equipment							Total expense
Repairs to rented vehicles in company service (other than lease and rental units)	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned

Comments

The cost of repairs and maintenance contracts are debited to this account. When a repair is done for the benefit a single Department, the entire cost of the repair should be charged to the Department. When two (2) or more Departments are involved, the expense should be pro-rated to each respective Department based on usage as indicated in the Expense Distribution table above.

091 Depreciation - Equipment

Expenses

Fixed

Synopsis

The monthly provision to Depreciate Equipment owned by the dealership and used for the auto business is recorded in Account 091, Depreciation – Equipment. Professional tax and accounting advice should be obtained regarding the proper capitalization of equipment and the related depreciation schedule.

Debits	Credits
<ol style="list-style-type: none">1. Monthly provision for Depreciation of Equipment.2. Excess of book value over appraised wholesale value of vehicles recorded in Account 285, Company Vehicles taken out of service and transferred to used vehicle inventories.	<ol style="list-style-type: none">1. Excess of appraised wholesale value over book value of vehicles recorded in Account 285, Company Vehicles taken out of service and transferred to used vehicle inventories.

Example 1

Record the monthly provision of \$4,490 for depreciation of machinery and equipment. . The monthly expense is pro-rated between the Mechanical and Body Shop departments as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 091-05	Depreciation Equipment – Mechanical Department	\$2,596	
Account 091-06	Depreciation Equipment – Body Shop Department	\$1,894	
Account 352	Accumulated Depreciation – Machinery & Equipment		\$4,490

Example 2

Record the monthly provision of \$1,063 for depreciation of parts and accessories.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 091-07	Depreciation – Equipment – Parts & Accessories Department	\$1,063	
Account 353	Accumulated Depreciation – Parts & Accessories		\$1,063

Example 3

Record the monthly provision of \$6,445 for depreciation of furniture and fixtures. The monthly expense is pro-rated to each department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 091-01	Depreciation – Equipment – New Vehicles Department	\$1,325	
Account 091-02	Depreciation – Equipment – Used Vehicles Department	\$950	
Account 091-03	Depreciation – Equipment – Lease & Rental Department	\$675	
Account 091-04	Depreciation – Equipment – Finance & Insurance Department	\$425	
Account 091-05	Depreciation – Equipment – Mechanical Department	\$1,185	
Account 091-06	Depreciation – Equipment – Body Shop Department	\$275	
Account 091-07	Depreciation – Equipment – Parts & Accessories Department	\$350	
Account 091-09	Depreciation – Equipment – General & Administrative	\$1,260	
Account 354	Accumulated Depreciation – Furniture & Fixtures		\$6,445

Example 4

Record the monthly provision of \$2,370 for depreciation of company vehicles. The monthly expense is pro-rated to between the Mechanical Department and the Parts and Accessories Department as shown in the example below.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 091-05	Depreciation – Equipment – Mechanical Department	\$875	
Account 091-07	Depreciation – Equipment – Parts & Accessories Department	\$1,495	
Account 355	Accumulated Depreciation – Company		\$2,370

Vehicles		
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Distribution of Expenses

091 Depreciation - Equipment	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
Machinery and shop equipment				Equipment assigned	Equipment assigned		
Parts and accessories equipment						Total expense	
Company vehicles in Account 285, Company Vehicles	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned
Furniture and fixtures	Equipment assigned	Equipment assigned	Equipment assigned	Equipment assigned	Equipment assigned	Equipment assigned	Equipment assigned
Excess of book value over appraised wholesale value of a parts truck transferred to the used truck inventory for sale						Total expense	

Comments

When only one Department has equipment subject to depreciation such as the air compressor, then the monthly provision to depreciate the air compressor should be charged to the Service Department. If two (2) or more departments share equipment such as the phone system, then the monthly provision should be pro-rated to each department based on usage.

092 Equipment Rental

Expenses

Fixed

Synopsis

Account 092, Equipment Rental is established to record the cost of Renting Equipment for the dealership other than Telephone expenses, which are recorded in [Account 074, Telephone](#). The monthly rent or monthly provision is posted to this account.

Debits	Credits
1. Cost of Renting Equipment other than lease and rental units 2. Amounts charged other departments by the lease and rental department for the use of daily rental units, including those furnished to customers at no charge	

Example 1

Record the monthly rental of \$3,872 for the telephone system. The \$3,872 is distributed to each department as shown in the example below.

Journal: Cash Disbursements and Purchases

Entry:		Debit	Credit
Account 092-01	Equipment Rental – New Vehicles Department	\$813	
Account 092-02	Equipment Rental – Used Vehicles Department	\$581	
Account 092-03	Equipment Rental – Lease & Rental Department	\$77	
Account 092-05	Equipment Rental – Mechanical Department	\$736	
Account 092-06	Equipment Rental – Body Shop Department	\$387	
Account 092-07	Equipment Rental – Parts & Accessories Department	\$697	
Account 092-09	Equipment Rental – General & Administrative	\$581	

Account 300	Accounts Payable – Trade Creditors	\$3,872
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Distribution of Expenses

092 Equipment Rental	Departmental Distribution						
	New Veh. 01	Used Veh. 02	Lease & Rental 03	Mechanical 05	Body Shop 06	Parts & Access. 07	Gen & Admin. 09
General office furniture and equipment							Total expense
Parts bins						Total expense	
Postage meters							Total expense
Used car lot signs		Total expense					
Furniture and equipment used in new vehicle department	Total expense						
Rental of vehicles for company use other than as lease and rental units	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned	Vehicles assigned
Dealership identification sign							Total expense
Charges by the lease and rental department for use of a daily rental unit furnished to a service customer at no charge				Department benefited	Department benefited		

Comments

When the need arises to Rent specialized Equipment the rental cost is charged to the Department that benefits from the usage of the equipment. If two (2) or more Departments share the equipment, then the rental cost should be pro-rated to each respective Department based on usage.

443 GM Protection Plans New Vehicles (Sales)

*Finance & Insurance Activity
New Vehicle*

Sales Synopsis

Account 443 is established to record the Sales of GM Protection Plans by the F & I Department on New Vehicles.

Debits	Credits
1. Chargebacks due to early termination	1. The selling price of GM Protection Plans sold on New Vehicles

643 GM Protection Plans New Vehicles (Cost of Sales)

*Finance & Insurance Activity
New Vehicle*

Cost of Sales Synopsis

Account 643 is established to record the Cost of Sales of GM Protection Plans by the F & I Department on New Vehicles.

Debits	Credits
1. The Cost of Sales of GM Protection Plans	

Example 1

Record a new vehicle sale for the amount of \$17,871 with a finance contract reserve of \$300, a GM Protection Plan of \$1,570, sales tax of \$893, insurance commissions earned of \$300 and Registration Fees of \$125. The inventory value is \$16,421 and the cost of the GM Protection Plan is \$1,020 and the cost of the supplemental insurance is \$150.

Journal: New Vehicle Sales

Entry:		Debit	Credit

Account 205	Contracts in Transit	\$20,759	
Account 262	Due from Finance Companies	\$300	
Account 600-618	Cost of Sales – New Cars - Retail	\$16,421	
Account 643	Cost of Sales – GM Protection Plans – New Cars	\$1,020	
Account 400-418	Sales – New Cars – Retail		\$17,871
Account 443	Sales – GM Protection Plans – New Cars		\$1,570
Account 231	New Car Inventory		\$16,421
Account 300	Accounts Payable – Trade Creditors		\$1,020
Account 300	Accounts Payable – Trade Creditors		\$150
Account 324A	Sales Taxes Payable – Excise Taxes		\$893
Account 806	Finance Income – New		\$300
Account 807	Insurance Commissions Earned – New		\$150
Account 910	Document Handling Fees		\$125

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

444 Other Protection Plans New Vehicles (Sales)

*Finance & Insurance Activity
New Vehicle*

Sales Synopsis

Account 444 is established to record the Sales of non-GM protection plans by the F & I Department.

Debits	Credits
1. Chargebacks due to early termination	1. The selling price of non-GM Protection Plans sold

644 Other Protection Plans (Cost of Sales)

*Finance & Insurance Activity
New Vehicle*

Cost of Sales Synopsis

Account 644 is established to record the Cost of Sales of non-GM protection plans by the F & I Department.

Debits	Credits
1. The Cost of Sales of non-GM Protection Plans sold	

Example 1

Record the sale of a non-GM extended warranty sold for \$1,500 on a new vehicle sold after the original deal. The cost of the non-GM extended warranty is \$750.

Journal: New Car Sales

Entry:		Debit	Credit
Account 220A	Accounts Receivable – Customers – Vehicles	\$1,500	
Account 644	Cost of Sales – Other Protection Plans – New	\$750	

Account 444	Sales – Other Protection Plans – New		\$1,500
Account 300	Accounts Payable – Trade Creditors		\$750

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

454 GM Protection Plans – Used Vehicles (Sales)

*Finance & Insurance Activity
Used Vehicle*

Sales Synopsis

Account 454 is established to record the Sales of GM Protection Plans on Used Vehicles, by the F & I Department.

Debits	Credits
1. Chargebacks due to early termination	1. The selling price of GM Protection Plans sold with Used Vehicles

654 GM Protection Plans – Used Vehicles (Cost of Sales)

*Finance & Insurance Activity
Used Vehicle*

Cost of Sales Synopsis

Account 643 is established to record the Cost of Sales of GM Protection Plans sold on Used Vehicles.

Debits	Credits
1. The Cost of Sales of GM Protection Plans sold with Used Vehicles	

Example 1

Record the sale of an Other Used Car in the amount of \$17,076 that has a sale of a GM Protection Plan for \$1,500. The car was paid partly with a \$15,877 finance contract and \$4,000 from the trade-in. The finance contract reserve is \$853, sales tax is \$876, insurance commissions earned from the sale of a GAP insurance policy are \$150 and Registration Fees are \$125. The inventory value of the used vehicle sold is \$15,876 of which \$876 is due to Reconditioning. The cost of the GM Protection Plan is \$950 and the cost of the GAP insurance policy is \$150.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$15,877	
Account 262	Due from Finance Companies	\$853	
Account 646B	Cost of Sales – Used Cars Retail – Other	\$15,000	
Account 647B	Reconditioning – Used Cars Other	\$876	
Account 654	Cost of Sales – GM Protection Plans – Used Cars	\$950	
Account 240	Inventory – Used Cars	\$4,000	
Account 446B	Sales – Used Cars Retail – Other		\$17,076
Account 454	Sales – GM Protection Plans – Used Cars		\$1,500
Account 240	Inventory – Used Cars		\$15,876
Account 300	Accounts Payable – Trade Creditors		\$950
Account 300	Accounts Payable – Trade Creditors		\$150
Account 324A	Sales Taxes Payable – Excise Taxes		\$876
Account 808	Finance Income – Used		\$853
Account 809	Insurance Commissions Earned – Used Cars		\$150
Account 910	Document Handling Fees		\$125

455 Other Protection Plans (Sales)

*Finance & Insurance Activity
Used Vehicle*

Sales Synopsis

Account 455 is established to record the Sales of non-GM protection plans on Used Vehicles.

Debits	Credits
1. Chargebacks due to early termination	1. The selling price of non-GM Protection Plans sold with Used Vehicles

655 Other Protection Plans (Cost of Sales)

*Finance & Insurance Activity
Used Vehicle*

Cost of Sales Synopsis

Account 655 is established to record the Cost of Sales of non-GM protection plans on Used Vehicles.

Debits	Credits
1. The Cost of Sales of non-GM Protection Plans sold with Used Vehicles	

Example 1

Record the sale of an Other Used Car in the amount of \$17,076 that has a sale of an Other Protection Plan for \$1,500. The car was paid partly with a \$15,877 finance contract and \$4,000 from the trade-in. The finance contract reserve is \$853, sales tax is \$876, insurance commissions earned from the sale of a GAP insurance policy are \$150 and Registration Fees are \$125. The inventory value of the used vehicle sold is \$15,876 of which \$876 is due to Reconditioning. The cost of the Other Protection Plan is \$950 and the cost of the GAP insurance policy is \$150.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$15,877	
Account 262	Due from Finance Companies	\$853	
Account 646B	Cost of Sales – Used Cars Retail – Other	\$15,000	
Account 647B	Reconditioning – Used Cars Other	\$876	
Account 655	Cost of Sales – Other Protection Plans – Used Cars	\$950	
Account 240	Inventory – Used Cars	\$4,000	
Account 446B	Sales – Used Cars Retail – Other		\$17,076
Account 455	Sales – Other Protection Plans – Used Cars		\$1,500
Account 240	Inventory – Used Cars		\$15,876
Account 300	Accounts Payable – Trade Creditors		\$950
Account 300	Accounts Payable – Trade Creditors		\$150
Account 324A	Sales Taxes Payable – Excise Taxes		\$876
Account 808	Finance Income – Used		\$853
Account 809	Insurance Commissions Earned – Used Cars		\$150
Account 910	Document Handling Fees		\$125

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

494 Divisional Extended Warranties (Sales)

*Sales; Finance & Insurance Activity
New Vehicle Department*

Sales Synopsis

The sales of Divisional Extended Warranties are recorded in Accounts 494A, 494D, 494E, & 494F. These accounts are shown on each of the divisional pages of the operating report. The totals of all these accounts are summed into account 494 that is shown on page 7 in the Finance, Insurance & Protection Plan Activity section.

Debits	Credits
1. Chargebacks due to early termination	1. The selling price of Divisional Extended Warranties sold with New Vehicles

694 Divisional Extended Warranties (Cost of Sales)

*Sales; Finance & Insurance Activity
New Vehicle Department*

Cost of Sales Synopsis

The Cost of Sales from Divisional Extended Warranties are recorded in Accounts 694A, 694D, 694E, & 694F. The sales and gross profit is shown on each of the divisional pages of the operating report. The totals of all these accounts are summed into account 694 that is shown on page 7 in the Finance, Insurance & Protection Plan Activity section.

Debits	Credits
1. The Cost of Sales of Divisional Extended Warranties sold with New Vehicles	

Example 1

Record a new vehicles sale for the amount of \$17,871 with a GM Divisional Extended Warranty of \$1,570, sales tax of \$893, finance commissions earned of \$300 and Document Handling Fees of \$125. The inventory value is \$16,421 and the cost of the GM Divisional Extended Warranty is \$1,020.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$20,459	
Account 262	Due from Finance Companies	\$300	
Account 600-618	Cost of Sales - New Cars - Retail	\$16,421	
Account 694A	Cost of Sales - Divisional Extended Warranties	\$1,020	
Account 400-418	Sales - New Cars - Retail		\$17,871
Account 494A	Sales - Divisional Extended Warranties		\$1,570
Account 231	Inventory - New Cars		\$16,421
Account 300	Accounts Payable – Trade Creditors		\$1,020
Account 324A	Sales Taxes Payable		\$893
Account 806	Finance Income - New		\$300
Account 910	Document Handling Fees		\$125

806 Finance Income-New Vehicles

Finance & Insurance Activity New Vehicle

Sales Synopsis

Account 806 is established to record the Finance Income generated as a result of selling retail finance contracts to lending institutions on New Vehicles.

Debits	Credits
	<ol style="list-style-type: none">1. Finance income on customer notes discounted relative to new vehicle sales2. Finance charges included in customer notes receivable relative to new vehicle sales

Example 1

Record a new vehicle sale for the amount of \$17,571 with a finance contract reserve of \$300, sales tax of \$879 and Registration fees of \$125. The inventory value is \$16,721.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$18,575	
Account 262	Due from Finance Companies	\$300	
Account 600-618	Cost of Sales – New Cars – Retail	\$16,721	
Account 400-418	Sales – New Cars – Retail		\$17,571
Account 231	New Car Inventory		\$16,721
Account 324A	Sales Taxes Payable – Excise Taxes		\$879
Account 806	Finance Income – New		\$300
Account 910	Document Handling Fees		\$125

Note:

Finance income considered unearned on customer notes receivable may be deferred by establishing and crediting a separate general ledger account captioned Unearned Finance Income, which should be reported with [Account 210, Notes Receivable - Customers](#) on the trial balance. This account should be adjusted at month end through

Account 806, Finance Income-New or [Account 808, Finance Income-Used](#), as applicable with the portion of finance income considered earned.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

807 Insurance Commission Earned-New Vehicles

Finance & Insurance Activity New Vehicle

Sales Synopsis

Account 807 is established to record Commissions earned for selling supplemental insurance coverage on New Vehicles.

Debits	Credits
	1. Insurance commissions earned relative to new vehicle sales including: <ul style="list-style-type: none"> a. Credit Life b. Accident & Health c. GAP Insurance

Example 1

Record a new vehicle sale for the amount of \$17,571 with a finance contract reserve of \$300, sales tax of \$879, Registration fees of \$125 and supplemental insurance commission earned in the amount of \$300. The inventory value is \$16,721 and the cost of the supplemental insurance is \$150.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$19,025	
Account 262	Due from Finance Companies	\$300	
Account 600-618	Cost of Sales – New Cars – Retail	\$16,721	
Account 400-418	Sales – New Cars – Retail		\$17,571
Account 231	New Car Inventory		\$16,721
Account 300	Accounts Payable – Trade Creditors		\$150
Account 324A	Sales Taxes Payable – Excise Taxes		\$879
Account 806	Finance Income – New		\$300
Account 807	Insurance Commission Earned – New		\$300
Account 910	Document Handling Fees		\$125

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

808 Finance Income-Used Vehicles

Finance & Insurance Activity Used Vehicle

Sales Synopsis

Account 808 is established to record the Finance Income generated as a result of selling retail finance contracts to lending institutions on Used Vehicles.

Debits	Credits
	1. Finance income on customer notes discounted relative to used vehicle sales 2. Finance charges included in customer notes receivable relative to used vehicle sales

Example 1

Record an Other Used Car sale in the amount of \$17,076 paid partly with a \$14,055 finance contract and \$4,000 from the trade-in. The finance contract reserve is \$853, sales tax is \$854 and Registration Fees are \$125. The inventory value of the used vehicle sold is \$15,876 of which \$876 is due to Reconditioning.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$14,055	
Account 262	Due from Finance Companies	\$853	
Account 646B	Cost of Sales – Used Cars Retail – Other	\$15,000	
Account 647B	Reconditioning – Used Cars Other	\$876	
Account 240	Inventory – Used Cars	\$4,000	
Account 446B	Sales – Used Cars Retail – Other		\$17,076
Account 240	Inventory – Used Cars		\$15,876
Account 324A	Sales Taxes Payable – Excise Taxes		\$854
Account 808	Finance Income – Used		\$853
Account 910	Document Handling Fees		\$125

Note:

Revised 1/6/2017

Finance income considered unearned on customer notes receivable may be deferred by establishing and crediting a separate general ledger account captioned Unearned Finance Income, which should be reported with [Account 210, Notes Receivable - Customers](#) on the trial balance. This account should be adjusted at the month end through [Account 806, Finance Income-New](#) or Account 808, Finance Income-Used , as applicable, with the portion of finance income considered earned.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

809 Insurance Commissions Earned-Used Vehicles

Finance & Insurance Activity Used Vehicle

Sales Synopsis

Account 809 is established to record Commissions earned for selling supplemental insurance coverage on Used Vehicles.

Debits	Credits
	1. Insurance commissions earned relative to Used vehicle sales including: <ul style="list-style-type: none"> a. Credit Life b. Accident & Health c. GAP Insurance

Example 1

Record an Other Used Car sale in the amount of \$17,076 paid partly with a \$14,355 finance contract and \$4,000 from the trade-in. The finance contract reserve is \$853, sales tax is \$854, insurance commissions earned from the sale of a GAP insurance policy are \$150 and Registration Fees are \$125. The inventory value of the used vehicle sold is \$15,876 of which \$876 is due to Reconditioning. The cost of the GAP insurance policy is \$150.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$14,355	
Account 262	Due from Finance Companies	\$853	
Account 646B	Cost of Sales – Used Cars Retail – Other	\$15,000	
Account 647B	Reconditioning – Used Cars Other	\$876	
Account 240	Inventory – Used Cars	\$4,000	
Account 446B	Sales – Used Cars Retail – Other		\$17,076
Account 240	Inventory – Used Cars		\$15,876
Account 300	Accounts Payable – Trade Creditors		\$150
Account 324A	Sales Taxes Payable – Excise Taxes		\$854
Account 808	Finance Income – Used		\$853

Account 809	Insurance Commissions Earned – Used		\$150
Account 910	Document Handling Fees		\$125

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

810 Accessories-New Vehicles (Sales)

*Finance & Insurance Activity
New Vehicle*

Sales Synopsis

Account 810 is established to record the Sales of Accessories on New Vehicles by the F & I Department.

Debits	Credits
	1. The selling price of Accessories sold on New Vehicles by the F & I Department

Comments

Sub-accounts 810A and 810B for Cars and Trucks respectively should be established to break out Accessory sales on Cars and Trucks.

860 Accessories-New Vehicles (Cost of Sales)

*Finance & Insurance Activity
New Vehicle*

Cost of Sales Synopsis

Account 860 is established to record the Cost of Sales of Accessories on New Vehicles by the F & I Department.

Debits	Credits
1. The Cost of Sales of Accessories sold on New Vehicles by the F & I Department	

Example 1

Record a new vehicle sale in the amount of \$17,571 with a \$450 accessory sold by the F & I Department. The finance contract reserve is \$300, the sales tax is \$901 and the Registration Fees are \$125. The inventory value is \$17,021 and the cost of the accessory is \$300.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$19,047	
Account 262	Due from Finance Companies	\$300	
Account 600-618	Cost of Sales – New Cars – Retail	\$16,721	
Account 860	Cost of Sales – Accessories – New Cars	\$300	
Account 400-418	Sales – New Cars – Retail		\$17,571
Account 231	New Car Inventory		\$17,021
Account 324A	Sales Taxes Payable – Excise Taxes		\$901
Account 806	Finance Income – New		\$300
Account 810	Sales – Accessories – New Cars		\$450
Account 910	Document Handling Fees		\$125

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

811 Accessories – Used Vehicles (Sales)

*Finance & Insurance Activity
Used Vehicle*

Sales Synopsis

Account 811 is established to record the Sales of Accessories on Used Vehicles by the F & I Department.

Debits	Credits
	1. The selling price of Accessories sold with Used Vehicles by the F & I Department

Comments

Sub-accounts 811A and 811B for Used Cars and Used Trucks respectively should be established to break out Accessory sales.

861 Accessories-Used Vehicles (Cost of Sales)

*Finance & Insurance Activity
Used Vehicle*

Cost of Sales Synopsis

Account 861 is established to record the Cost of Sales of Accessories on Used Vehicles by the F & I Department.

Debits	Credits
1. The Cost of Sales of Accessories sold with Used Vehicles by the F & I Department	

Example 1

Record the sale of an Other Used Car in the amount of \$17,076 that has a sale of an accessory sold for \$450 by the F & I Department. The car was paid partly with a \$14,827 finance contract and \$4,000 from the trade-in. The finance contract reserve is \$853, sales tax is \$876, insurance commissions earned from the sale of a GAP insurance policy are \$150 and Registration Fees are \$125. The inventory value of the used vehicle sold is \$16,176 of which \$876 is due to Reconditioning and \$300 is due to the cost of the accessory. The cost of the GAP insurance policy is \$150.

Journal: Used Car Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$14,827	
Account 262	Due from Finance Companies	\$853	
Account 646B	Cost of Sales – Used Cars Retail – Other	\$15,000	
Account 647B	Reconditioning – Used Cars Other	\$876	
Account 861	Cost of Sales – Accessories - Used	\$300	
Account 240	Inventory – Used Cars	\$4,000	
Account 446B	Sales – Used Cars Retail – Other		\$17,076
Account 240	Inventory – Used Cars		\$16,176
Account 300	Accounts Payable – Trade Creditors		\$150
Account 324A	Sales Taxes Payable – Excise Taxes		\$876
Account 808	Finance Income – Used		\$853
Account 809	Insurance Commissions Earned – Used Cars		\$150
Account 811	Sales - Accessories – Used Cars		\$450
Account 910	Document Handling Fees		\$125

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

850 Finance & Insurance Chargebacks

Finance & Insurance Activity New Vehicle

Cost of Sales Synopsis

Account 850 is established to record Chargebacks from various financial and insurance companies for early termination, by customers, of financing arrangements and insurance coverage.

Debits	Credits
1. Chargebacks from Finance institutions	
2. Chargebacks from Insurance sales	

Example 1

Record \$4,440 of chargebacks for the month from a finance institution of which \$2,793 is for the New Vehicle Department and \$1,647 is for the Used Vehicle Department.

Journal: General Journal

Entry:		Debit	Credit
Account 850	Finance & Insurance Chargebacks – New Vehicle	\$2,793	
Account 851	Finance & Insurance Chargebacks – Used Vehicle	\$1,647	
Account 262	Due from Finance Companies		\$4,440

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

851 Finance & Insurance Chargebacks

Finance & Insurance Activity Used Vehicle

Cost of Sales Synopsis

Account 851 is established to record the Chargebacks from various financial and insurance companies for early termination by, customers, of financing arrangements and insurance coverage. This typically occurs when customers trade or sell financed vehicles before the loan is fully paid.

Debits	Credits
1. Chargebacks from Finance institutions 2. Chargebacks from Insurance sales	

Example 1

Record \$4,440 of chargebacks for the month from a finance institution of which \$2,793 is for the New Vehicle Department and \$1,647 is for the Used Vehicle Department.

Journal: General Journal

Entry:		Debit	Credit
Account 850	Finance & Insurance Chargebacks – New Vehicle	\$2,793	
Account 851	Finance & Insurance Chargebacks – Used Vehicle	\$1,647	
Account 262	Due from Finance Companies		\$4,440

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

853 Repossession Losses – New Vehicles

Finance & Insurance Activity New Vehicle

Cost of Sales Synopsis

Account 853 is established to record losses due to repossession of New Vehicles.

Debits	Credits
<ol style="list-style-type: none">1. Excess of the amount due over the appraised wholesale value of repossessed vehicles, whether the vehicles are secured by notes held by the dealership or by notes discounted with finance institutions2. Losses on repossessed vehicles sold by finance institutions3. Repossession surpluses due customers	<ol style="list-style-type: none">1. Deficiency settlements on repossessed vehicles

Example 1

Record the monthly provision of \$3,000 for estimated repossession losses from the sale of new and used vehicles. The repossession losses for new vehicles are \$2,000 and \$1,000 for used vehicles.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 853	Repossession Losses – New	\$2,000	
Account 854	Repossession Losses – Used	\$1,000	
Account 332	Other Reserves		\$3,000

Comments

A debit balance represents repossession losses on previous new vehicle sales.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

854 Repossession Losses-Used

*Finance & Insurance Activity
Used Vehicle*

Cost of Sales Synopsis

Account 854 is established to record losses due to repossession of Used Vehicles.

Debits	Credits
<ol style="list-style-type: none">1. Excess of the amount due over the appraised wholesale value of repossessed vehicles, whether the vehicles are secured by notes held by the dealership or by notes discounted with finance institutions2. Losses on repossessed vehicles sold by finance institutions3. Repossession surpluses due customers	<ol style="list-style-type: none">1. Deficiency settlements on repossessed vehicles

Example 1

Record the monthly provision of \$3,000 for estimated repossession losses from the sale of new and used vehicles. The repossession losses for new vehicles are \$2,000 and \$1,000 for used vehicles.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 853	Repossession Losses – New	\$2,000	
Account 854	Repossession Losses – Used	\$1,000	
Account 332	Other Reserves		\$3,000

Comments

A debit balance represents repossession losses on previous used vehicle sales.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

855 F & I Compensation-New Vehicles

Finance & Insurance Activity

New Vehicle

Cost of Sales Synopsis

Account 855 is established to record commissions or other monetary compensation related to the Sales of Finance Contracts and/or Insurance Policies on New Vehicle sales.

Debits	Credits
1. The compensation paid to or accrued for employees selling Finance Contracts, Insurance Policies, and Protection Plans	

Example 1

Record the monthly accrual of commissions in the amount of \$2,500 for the F & I Department.

Journal: Payroll

Entry:		Debit	Credit
Account 855	F & I Compensation – New Vehicles	\$2,500	
Account 321	Salaries, Wages & Commissions Payable		\$2,500

856 F & I Compensation-Used Vehicles

Finance & Insurance Activity

Used Vehicle

Cost of Sales Synopsis

Account 856 is established to record commissions or other monetary compensation related to the Sales of Finance Contracts and/or Insurance Policies on Used Vehicles.

Debits	Credits
1. The compensation paid to or accrued for employees selling Finance Contracts, Insurance Policies, and Protection Plans	

Example 1

Record the monthly accrual of commissions for the F & I Department in the amount of \$2,750.

Journal: Payroll

Entry:		Debit	Credit
Account 856	F & I Compensation – Used Vehicles	\$2,750	
Account 321	Salaries, Wages & Commissions Payable		\$2,750

510 Selling Price of Disposed Vehicles (Closed End Lease)

520 Selling Price of Disposed Vehicles (Open End Lease)

530 Selling Price of Disposed Vehicles (Rental)

Lease & Rental Activity

Direct Cost

Sales Synopsis

Accounts 510, 520, and 530, Selling Price of Disposed Vehicles for Closed End Lease, Open End Lease and Rental vehicles, respectively are established to record the Selling Price of Lease and Rental vehicles when they are retired from service.

Debits	Credits
	1. The selling price of Lease and Rental vehicles upon removal from service that are NOT transferred back to the Used Vehicle Department.

710 Cost of Sale of Disposed Vehicles (Closed End Lease)

720 Cost of Sale of Disposed Vehicles (Open End Lease)

730 Cost of Sale of Disposed Vehicles (Rental)

Lease & Rental Activity

Direct Cost

Cost of Sales Synopsis

Accounts 710, 720, and 730, Cost of Sale of Disposed Vehicles for Closed End Lease, Open End Lease and Rental vehicles, respectively are established to record the Cost of Sales of Lease and Rental vehicles when they are retired from service.

Debits	Credits
1. The Cost of Sale of Lease and Rental vehicles when removed from service	

Example 1

Record the \$15,200 sale of a lease unit at the end of the lease. The cost of sale for the disposed vehicle is \$15,200 and the accumulated depreciation is \$8,800. The original cost of the vehicle was \$24,000.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash in Bank	\$15,200	
Account 347	Accumulated Depreciation Lease & Rental Units	\$8,800	
Account 710	Cost of Sales of Disposed Vehicles	\$15,200	
Account 277	Lease & Rental Vehicles		\$24,000
Account 510	Selling Price of Disposed Vehicle		\$15,200

511 Recurring Lease Payment (Closed End Lease) 521 Recurring Lease Payment (Open End Lease)

Lease & Rental Activity

Sales Synopsis

Account 511, Recurring Lease Payment (Closed End Lease) and Account 521, Recurring Lease Payment (Open End Lease), are established to record the regular (typically on a monthly basis) Lease Payments received from customers for leased vehicles operated under arrangements for which the dealership is the owner and underwriter of the lease.

Debits	Credits
	1. Amount of payments received and accrued from lease customers for vehicles leased directly from the dealership

Example 1

Record the accrual of \$5,513 customer lease payments on Closed End Leases. The recurring lease payments are \$5,250 and the sales tax is \$263.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 220C	Accounts Receivable – Customers – Closed End Lease	\$5,513	
Account 511	Recurring Lease Payment (Closed End Lease)		\$5,250
Account 324	Sales Taxes Payable		\$263

Comments

This account is only for dealerships who operate their own leasing operations. Professional tax, accounting, and insurance advice should be obtained and strictly observed regarding the proper administration of dealership owned lease vehicles.

Note:

Revised 1/6/2017

1. Lease and Rental vehicles are recorded in [Account 277, Lease and Rental](#) (inventory).
2. Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account (suffix). Please refer to you DSP's instructions for establishing sub-accounts.

512 Maintenance Income (Closed End Lease)

522 Maintenance Income (Open End Lease)

Lease & Rental Activity

Sales Synopsis

Account 512, Maintenance Income (Closed End Lease) and Account 522 (Open End Lease) are established to record the portion of the regular lease payment, which covers the vehicle maintenance of the lease vehicle.

Debits	Credits
	1. The amount of payments received from and accrued for lease customers covering the maintenance of the lease vehicle

Example 1

Record the accrual of \$1,000 for maintenance income on closed end leases, \$7,000 for recurring lease payments and \$400 for sales tax. The total amount to be received is \$8,400.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 220C	Accounts Receivable – Customers – Closed End Lease	\$8,400	
Account 511	Recurring Lease Payments – Closed End Lease		\$7,000
Account 512	Maintenance Income – Closed End Lease		\$1,000
Account 324	Sales Taxes Payable		\$400

Comments

This account only applies to lease vehicles, which are leased with maintenance coverage.

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-

Revised 1/6/2017

accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

513 Partial Month (Pro-Rata) Income (Closed End Lease)
523 Partial Month (Pro-Rata) Income (Open End Lease)
Lease & Rental Activity

Sales Synopsis

Account 513, Partial Month (Pro-Rata) Income (Closed End Lease) and Account 523, Partial Month (Pro-Rata) Income (Open End Lease) are established to record Partial month lease payments. In some cases, leases may be written to allow for payments on a weekly basis.

Debits	Credits
	1. The amount of Partial Month Lease payments received and accrued from lease customers

Example 1

Record cash of \$184 for a partial month lease income on a new Closed End Lease of \$175 and sales tax of \$9.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$184	
Account 513	Partial Month (Pro-Rata) Income – Closed End Lease		\$175
Account 324	Sales Taxes Payable		\$9

514 Late Payment Charge (Closed End Lease)
524 Late Payment Charge (Open End Lease)
534 Late Payment Charge (Rental)

Lease & Rental Activity

Sales Synopsis

Accounts 514, 524 and 534, Late Payment Charges for Closed End Leases, Open End Leases and Rental vehicles, respectively, is established to record the amount of penalties assessed for Late Payments.

Debits	Credits
1. The reversal or refund of a Late Payment Charge	1. The amount of Late Payment Charges assessed to or collected from Lease and Rental Customers

Example 1

Record cash of \$375 which includes a late payment charge of \$25 on a Closed End Lease and \$350 on the customer's accounts receivable.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$375	
Account 220C	Accounts Receivable – Customers – Closed End Lease		\$350
Account 514	Late Payment Charge – Closed End Lease		\$25

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

516 Administrative Fee (Closed End Lease)
526 Administrative Fee (Open End Lease)
536 Administrative Fee (Rental)

Lease & Rental Activity

Sales Synopsis

Accounts 516, 526, and 536, Administrative Fees for Closed End Leases, Open End Leases and Rental vehicles, respectively, are established to record the amount of Administrative Fees assessed on these vehicles.

Debits	Credits
	1. The amount of Administrative Fees assessed to or collected from Lease and Rental Customers

Example 1

Record the \$25 administrative fee charged for paying a \$100 parking ticket for a Closed End Lease customer.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 220C	Accounts Receivable – Customers – Closed End Lease	\$125	
Account 516	Administrative Fee – Closed End Lease		\$25
Account 202	Cash in Bank		\$100

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

517 Other Lease Revenue (Closed End Lease)
527 Other Lease Revenue (Open End Lease)
Lease & Rental Activity

Sales Synopsis

Accounts 517 and 527, Other Lease Revenue from Closed End Leases and Open End Leases, respectively, is established to record Lease Revenue assessed or received from Lease Customers that cannot be properly recorded in any other account.

Debits	Credits
	1. The amount of miscellaneous income received from Lease Customers

Example 1

Record the \$1,800 income received from a Closed End Lease customer for the excess mileage charge.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$1,800	
Account 517	Other Lease Revenue		\$1,800

535 Rental Income (Rental)

Lease & Rental Activity

Sales Synopsis

Account 535, Rental Income is established to record the receipts produced from the rental of vehicles to customers.

Debits	Credits
	<ol style="list-style-type: none"> 1. The amount of money collected and accrued from customers in payment of rental vehicles operated by the dealership 2. Amounts charged customers for insurance 3. Amounts charged other Departments for the use of Rental Vehicles

Example 1

Record a cash sale of \$37 for the \$35 daily rental of a vehicle to a service customer and sales tax of \$2.

Journal: Rental Sales

Entry:		Debit	Credit
Account 225	Cash Sales	\$37	
Account 535	Rental Income		\$35
Account 324	Sales Taxes Payable		\$2

Comments

Professional tax, accounting and insurance advice should be obtained regarding the establishment of a dealership owned rent a car operation. Care must be taken to make sure that adequate and proper insurance coverage is in effect on all vehicles rented to customers.

541 Insurance Commissions Earned

Lease & Rental Activity

F & I, Protection Plan Activity

Sales Synopsis

Account 541, Insurance Commissions Earned is established to record the commissions earned for selling supplemental insurance coverage such as GAP, collision damage waiver to Rental customers.

Debits	Credits
	1. The amount of commissions earned on supplemental insurance sold to customers on Lease and Rental vehicles

Example 1

Record the accrual for the commissions earned on supplemental insurance coverage sold for the month in the amount of \$615.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 264	Ins. Commissions Receivable	\$615	
Account 541	Insurance Commissions Earned – Lease & Rental Activity		\$615

542 Accessories (Lease and Rental) – (Sales)

Lease & Rental Activity

F & I, Protection Plan Activity

Sales Synopsis

Account 542 is established to record the amount of Accessories sold on Lease and Rental vehicles.

Debits	Credits
	1. The selling price of Accessories on Lease and Rental vehicles

742 Accessories (Lease and Rental) – (Cost of Sales)

Lease & Rental Activity

F & I, Protection Plan Activity

Cost of Sales Synopsis

Account 742 is established to record the Cost of Sales of Accessories sold on Lease and Rental vehicles in Account 542 above.

Debits	Credits
1. The cost of Accessories sold on Lease and Rental vehicles	

Example 1

Record the sale of a lease unit by the Lease & Rental Department that has had running boards installed by the customer's request. The lease unit is sold for \$24,000, plus \$450 for the running boards and the sales tax is \$1,223. The cost of the running boards is \$300 and the cost of sale of the unit is \$22,000.

Journal: New Car Sales

Entry:		Debit	Credit
Account 220C	Accounts Receivable – Lease &	\$24,450	

	Rental		
Account 710	Cost of Sales of Disposed Vehicles	\$22,000	
Account 714	Direct Cost – License, Title & Tax	\$1,223	
Account 742	Cost of Sales – Accessories - Lease & Rental Activity	\$300	
Account 277	Inventory – Lease & Rental Vehicles		\$22,300
Account 510	Selling Price of Disposed Vehicles		\$24,000
Account 542	Sales – Accessories – Lease & Rental Activity		\$450
Account 324A	Sales Taxes Payable – Excise Taxes		\$1,223

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

543 GM Protection Plans (Sales)

Lease & Rental Activity

F & I, Protection Plan Activity

Sales Synopsis

Account 543 is established to record the Sales of GM Protection Plans on Lease and Rental Vehicles.

Debits	Credits
	1. The selling price of GM Protection Plans sold on Lease and Rental vehicles

743 GM Protection Plans (Cost of Sales)

Lease & Rental Activity

F & I, Protection Plan Activity

Cost of Sales Synopsis

Account 743 is established to record the Cost of Sales of GM Protection Plans on Lease and Rental Vehicles.

Debits	Credits
1. The Cost of Sales of GM Protection Plans sold on Lease and Rental vehicles	

Example 1

Record the sale made by the Lease & Rental Department of a lease vehicle, which includes a GM Protection Plan for \$1,500 to a customer (who was the original lessee). The lease unit is sold for \$24,200, and the sales tax is \$1,200. The cost of the GM Protection Plan is \$950 and the cost of sale of the unit is \$24,000.

Journal: New Car Sales

Entry:		Debit	Credit
Account 277	Lease & Rental Vehicles	\$24,200	
Account 621	Cost of Sales – New Cars – Internal	\$24,000	
Account 714	Direct Cost – License, Title & Tax	\$1,200	
Account 220C	Accounts Receivable – Customers – Closed End Lease	\$1,500	
Account 743	Cost of Sales – GM Protection Plans – Lease & Rental Activity	\$950	
Account 231	Inventory – New Cars		\$24,000
Account 421	Sales – New Cars – Internal		\$24,200
Account 543	Sales – GM Protection Plans – Lease & Rental Activity		\$1,500
Account 300	Accounts Payable – Trade Creditors		\$950
Account 324A	Sales Taxes Payable – Excise Taxes		\$1,200

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

544 Other Protection Plans (Sales)

Lease & Rental Activity

F & I, Protection Plan Activity

Sales Synopsis

Account 544 is established to record the Sales of non-GM protection plans on Lease and Rental vehicles.

Debits	Credits
	1. The selling price of non-GM Protection Plans sold on Lease and Rental vehicles

744 Other Protection Plans (Cost of Sales)

Lease & Rental Activity

F & I, Protection Plan Activity

Cost of Sales Synopsis

Account 744 is established to record the Cost of Sales of non-GM protection plans on Lease and Rental vehicles.

Debits	Credits
1. The Cost of Sales of non-GM Protection Plans sold on Lease and Rental vehicles	

Example 1

Record the sale of \$1,500 for a non-GM extended warranty sold on a leased vehicle sold. The cost of the non-GM extended warranty is \$750.

Journal: New Car Sales

Entry:		Debit	Credit

Account 220C	Accounts Receivable – Customers – Closed End Lease	\$1,500	
Account 744	Cost of Sales – Other Protection Plans – Lease & Rental Activity	\$750	
Account 544	Sales – Other Protection Plans – Lease & Rental Activity		\$1,500
Account 300	Accounts Payable – Trade Creditors		\$750

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

711 Interest (Closed End Lease)

721 Interest (Open End Lease)

731 Interest (Rental)

Lease & Rental Activity

Direct Cost

Cost of Sales Synopsis

Accounts 711, 721, and 731, Interest for Closed End Lease, Open End Lease, and Rental vehicles, respectively, are established to record the Interest paid or payable for flooring Lease and Rental Vehicles while in service.

Debits	Credits
1. The amount of interest paid and accrued on notes payable secured by Lease and Rental vehicles	

Example 1

Record the monthly amortization of the prepaid interest in the amount of \$91.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 711	Direct Cost – Interest – Close End Lease	\$91	
Account 312A	Notes Payable – Lease & Rental Units – Prepaid Interest		\$91

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

712 Amortization (Closed End Lease)

722 Amortization (Open End Lease)

732 Amortization (Rental)

Lease & Rental Activity

Direct Cost

Cost of Sales Synopsis

Accounts 712, 722, and 732, Amortization for Closed End Leases, Open End Leases and Rental Vehicles are established to record the amortization applied to Lease and Rental Vehicles owned by the dealership.

Debits	Credits
<ol style="list-style-type: none">1. The monthly provision for amortization of Lease and Rental Vehicles2. The adjustment for amortization to reflect the appraised wholesale value of Lease and Rental Vehicles removed from service	<ol style="list-style-type: none">1. The adjustment for amortization to reflect the appraised wholesale value of Lease and Rental Vehicles removed from service

Example 1

Record the \$24,000 internal sale or transfer of a lease unit to used car inventory at the appraised wholesale value. Accumulated depreciation is \$8,800 and the amortization cost is \$400. The inventory value of the Lease & Rental unit transferred to the used car inventory is \$14,800.

Journal: General Journal

Entry:		Debit	Credit
Account 240	Inventory – Used Cars	\$14,800	
Account 347	Accumulated Depreciation Lease & Rental Units	\$8,800	
Account 712	Direct Cost – Amortization	\$400	
Account 277	Lease & Rental Vehicles		\$24,000

713 Insurance (Closed End Lease - In Service Vehicles)
723 Insurance (Open End Lease - In Service Vehicles)
733 Insurance (Rental - In Service Vehicles)

Lease & Rental Activity
Direct Cost

Cost of Sales Synopsis

Accounts 713, 723, and 733, Insurance for Closed End Lease, Open End Lease and Rental vehicles, respectively are established to record the cost of insurance premiums paid or payable for coverage of Lease and Rental Vehicles.

Debits	Credits
1. The monthly provision of the insurance premiums paid or payable to cover Lease and Rental vehicles	

Example 1

Record the \$5,365 payment of the insurance premiums on the rental vehicles.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 733	Direct Cost - Insurance – Rental – In Service Vehicles	\$5,365	
Account 202	Cash in Bank		\$5,365

714 License, Title & Tax (Closed End Lease)

724 License, Title & Tax (Open End Lease)

734 License, Title & Tax (Rental)

Lease & Rental Activity

Direct Cost

Cost of Sales Synopsis

Accounts 714, 724, and 734, License, Title & Tax for Closed End Lease, Open End Lease and Rental vehicles, respectively are established to record the cost of registering such vehicles with the state DMV.

Debits	Credits
1. The monthly provision for License fees, Title costs and Sales Tax for Lease and Rental Vehicles	

Example 1

Record the \$24,000 sale or transfer of a new vehicle from inventory to lease & rental service. The license, title and tax are \$600. The inventory value is \$22,000.

Journal: New Car Sales

Entry:		Debit	Credit
Account 277	Lease & Rental Vehicles	\$22,200	
Account 621	Cost of Sales – New Cars - Internal	\$22,000	
Account 714	Direct Cost – License, Title & Tax	\$600	
Account 231	Inventory – New Cars		\$22,000
Account 421	Sales – New Cars – Internal		\$22,200
Account 324A	Sales Taxes Payable – Excise Taxes		\$600

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

715 Policy-Leased Vehicles (Closed End Lease)
725 Policy-Leased Vehicles (Open End Lease)
735 Policy-Leased Vehicles (Rental)

Lease & Rental Activity
Direct Cost

Cost of Sales Synopsis

Accounts 715, 725, and 735, Policy (adjustments) for Closed End Lease, Open End Lease and Rental vehicles, respectively are established to record the cost of performing repairs to Lease and Rental vehicles for which the customer is not charged.

Debits	Credits
1. The Internal selling price of Labor & Materials for Lease and Rental vehicles	

Example 1

Record the \$43 of mechanical repairs to a lease unit not covered by warranty or a maintenance agreement and not chargeable to the lessee. The labor sale is \$43 and the cost of labor is \$13.

Journal: Internal Sales

Entry:		Debit	Credit
Account 715	Direct Cost – Policy – Leased Vehicles – Close End Lease	\$43	
Account 663	Cost of Sales – Internal Labor - Mechanical	\$13	
Account 247A	Inventory – Work in Process		\$13
Account 463	Sales – Internal Labor – Mechanical		\$43

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

716 Maintenance & Repairs (Closed End Lease)
726 Maintenance & Repairs (Open End Lease)
736 Maintenance & Repairs (Rental)

Lease & Rental Activity
Direct Cost

Cost of Sales Synopsis

Accounts 716, 726, and 736, Maintenance & Repairs for Closed End Lease, Open End Lease and Rental vehicles, respectively are established to record the cost of performing routine Maintenance and Repairs on Lease and Rental Vehicles.

Debits	Credits
1. The Internal selling price of Labor & Materials used in maintaining and repairing Lease and Rental vehicles	

Example 1

Record a \$402 repair order for mechanical work performed on a rental unit. The internal labor sale is \$160. The parts sale is \$210. The sales tax is \$12 and the shop supplies are \$20. The cost of labor is \$50. The parts cost is \$158 and the shop supplies cost is \$15.

Journal: Internal Sales

Entry:		Debit	Credit
Account 736	Direct Cost – Maintenance & Repairs (Rental)	\$402	
Account 663	Cost of Sales – Internal Labor – Mechanical	\$50	
Account 669	Cost of Sales – Shop Supplies	\$15	
Account 681	Cost of Sales – Parts - Internal	\$158	
Account 242	Inventory – Parts & Accessories		\$158
Account 242	Inventory – Parts & Accessories		\$15
Account 247A	Inventory – Work in Process – Mechanical		\$50
Account 324	Sales Taxes Payable		\$12
Account 463	Sales – Internal Labor - Mechanical		\$160
Account 469	Sales – Shop Supplies		\$20
Account 481	Sales – Parts – Internal		\$210

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

717 Rent-Sublet Units (Closed End Lease)
727 Rent-Sublet Units (Closed End Lease)
737 Rent-Sublet Units (Rental)

Lease & Rental Activity
Direct Cost

Cost of Sales Synopsis

Accounts 717, 727, and 737, Rent-Sublet Units for Closed End Lease, Open End Lease and Rental vehicles, respectively are established to record the cost of Renting or Subletting Units to provide to Lease and Rental customers.

Debits	Credits
1. The cost of rental or sublet arrangements in order to provide vehicles for Lease and Rental customers	

Example 1

Record the cost of \$37 for renting a vehicle for lease customer while their car is being serviced.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 717	Direct Cost – Rent – Sublet Units (Closed End Lease)	\$37	
Account 300	Accounts Payable – Trade Creditors		\$37

718 Other (Closed End Lease)
728 Other (Open End Lease)
738 Other (Rental)
Lease & Rental Activity
Direct Cost

Cost of Sales Synopsis

Accounts 718, 728, and 738, Other Direct Costs for Closed End Lease, Open End Lease and Rental vehicles, respectively are established to record the cost of miscellaneous Direct Costs, which cannot be properly classified in any other account, related to operating Lease and Rental vehicles.

Debits	Credits
1. Miscellaneous Direct Costs associated with the operation of Lease and Rental vehicles including: <ul style="list-style-type: none"> a. Gasoline b. Collection fees for late payments 	

Example 1

Record the monthly expense of gasoline on rental units in the amount of \$3,987.

Journal: Cash Disbursements and Purchases

Entry:		Debit	Credit
Account 738	Direct Cost – Other (Rental)	\$3,987	
Account 300	Accounts Payable – Trade Creditors		\$3,987

740 F & I Manager Commissions

Lease & Rental Activity

F & I, Protection Plan Activity

Cost of Sales Synopsis

Account 740, F & I Manager Commissions is established to record the amount of Commissions earned by F & I Managers on Lease and Rental vehicles.

Debits	Credits
1. The amount of commissions paid or payable to F & I Managers related to Lease and Rental vehicles	

Example 1

Record the accrual for the F & I Manager commissions on lease vehicles for the month in the amount of \$2,843.

Journal: Payroll

Entry:		Debit	Credit
Account 740	F & I Manager Commissions – Lease & Rental Activity	\$2,843	
Account 321	Salaries, Wages & Commissions Payable		\$2,843

741 Insurance Chargebacks

Lease & Rental Activity

F & I, Protection Plan Activity

Cost of Sales Synopsis

Account 741, Insurance Chargebacks is established to record the amount of Chargebacks levied against the dealership for early termination by customers of Insurance policies on Lease and Rental vehicles.

Debits	Credits
1. The amount charged back by various insurance companies for Lease and Rental vehicles	

Example 1

Record the \$539 payment of the chargeback for the early cancellation of an insurance policy on a lease customer.

Journal: Cash Disbursements and Purchase

Entry:		Debit	Credit
Account 741	Insurance Chargebacks – Lease & Rental Activity	\$539	
Account 202	Cash in Bank		\$539

Additions & Deductions

Additions

902 Bad Debts Recovered

Additions/Deductions

Addition to Income

Synopsis

Account 902 is established to record late payments from over-aged accounts receivable, which have been written off as a "Bad Debt".

Debits	Credits
	1. Payment received on notes and accounts receivable previously charged off as uncollectible

Example 1

Record payment of \$465 received for a bad check that had been written off in the previous year.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$465	
Account 902	Bad Debts Recovered		\$465

903 Cash Discounts Earned

Additions/Deductions

Addition to Income

Synopsis

Account 903 is established to record the reduction in price as a result of timely payment to Trade Creditors.

Debits	Credits
	1. The amount of discount allowed by creditors for paying in full by an agreed upon deadline

Example 1

Record the net payment of a vendor's statement in the amount of \$15,475. The cash discount earned is \$310, which allows a 2% cash discount, if paid within 10 days.

Journal: Cash Disbursements

Entry:		Debit	Credit
Account 300	Accounts Payable – Trade Creditors	\$15,475	
Account 202	Cash in Bank		\$15,165
Account 903	Cash Discounts Earned		\$310

905 Other Income

Additions/Deductions

Addition to Income

Synopsis

Account 905 is established to record the amount of miscellaneous income received by the dealership. Only the monies, which cannot properly be recorded in any other account, are to be posted here.

Debits	Credits
<ol style="list-style-type: none">1. Expense, including interest and depreciation, related to other investments and miscellaneous assets2. Amounts paid in excess of factory costs for new vehicles transferred from other dealers3. Expense in connection with purchasing cooperatives4. Expense in connection with vending machines	<ol style="list-style-type: none">1. Revenue from other investments and miscellaneous assets2. Amounts received in excess of factory costs for new vehicles transferred to other dealers3. Revenue in connection with purchasing cooperatives4. Revenue in connection with vending machines5. Dividends from securities6. Revenue from storage charges to customers7. Gains on sales of fixed assets, securities, miscellaneous assets received in trade and other investments and miscellaneous assets8. Interest earned on deposits in financial institutions9. Finance charges on customer accounts receivable10. Revenue from sales of scrap other than Used Vehicles11. Reimbursement of expenses incurred for affiliates and subsidiaries, if it cannot be applied to specific expense

	accounts
	12. Revenue for collecting sales tax
	13. Excess of the increase in the cash surrender value over the premium paid on life insurance policies owned by the dealership
	14. Revenue for collecting waste management fees (Federal and State)
	15. Other non-operating income for which no provision has been made

Example 1

Record \$85 of income from vending machines.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$85	
Account 905	Other Income		\$85

Example 2

Record the \$17,043 purchase of a new car from another dealer. The new car inventory value is \$16,168, \$525 Holdback, \$175 LAM dealer contribution and the \$175 LAM group contribution are to be recorded as debits to account 905.

Journal: Cash Disbursement

Entry:		Debit	Credit
Account 231	Inventory - New Cars	\$16,168	
Account 905	Other Income (Holdback)	\$525	
Account 905	Other Income (LAM Dealer Contribution)	\$175	
Account 905	Other Income (LAM Group Contribution)	\$175	
Account 202	Cash in Bank		\$17,043

Example 3

Record the annual increase in the cash surrender value of the life insurance policy owned by the dealership.

Journal: General Journal

Entry:		Debit	Credit
Account 291	Life Insurance - Cash Value	\$635	
Account 905	Other Income		\$635

909 GM Reimbursements

Additions/Deductions

Addition to Income

Synopsis

Account 909 is established to record payments from General Motors for reimbursements earned under the various programs including the Standards For Excellence (SFE) / Pinnacle and Essential Brand Element (EBE) programs. Volume incentives earned that do not apply to a single model line should also be recorded in this account.

Debits	Credits
	<ol style="list-style-type: none">1. The amount of reimbursement from GM for earnings under the Standards For Excellence (SFE) / Pinnacle programs2. The amount of reimbursement due from GM for vehicles purchased under the Essential Brand Element (EBE) program3. Volume incentives that do not apply to a single model line

Example 1

Record the estimated reimbursement for the amount of \$25,000 due under the Standards For Excellence (SFE) / Pinnacle programs.

Journal: General Journal

Entry:		Debit	Credit
Account 261	Factory Receivables	\$25,000	
Account 909	GM Reimbursements		\$25,000

Example 2

Record amount due for vehicles purchased under the Essential Brand Element (EBE) program. Example based on month end factory summary of \$8,584.

Journal: Purchase Journal

Entry:		Debit	Credit
Account 261	Factory Receivables	\$8,584	
Account 909	GM Reimbursements		\$8,584

Comments

Volume incentives earned that apply to a single model should be recorded as a reduction to the cost of sales for that model.

910 Document Handling Fee

Additions/Deductions

Additions from Income

Synopsis

Account 910 is established to record income earned from handling tags, titles, and other related fees collected from vehicle customers.

Debits	Credits
1. Expense of handling tags and titles	1. Revenue from handling tags and titles

Example 1

Record a new vehicle sale in the amount of \$17,571 with a finance contract reserve of \$300, sales tax of \$879 and Registration Fees or “DOC” fees of \$125. The inventory value is \$16,721.

Journal: New Vehicle Sales

Entry:		Debit	Credit
Account 205	Contracts in Transit	\$18,575	
Account 262	Due from Finance Companies	\$300	
Account 600-618	Cost of Sales - New Cars - Retail	\$16,721	
Account 400-418	Sales - New Cars - Retail		\$17,571
Account 231	New Car Inventory		\$16,721
Account 324A	Sales Taxes Payable - Excise Taxes		\$879
Account 806	Finance Income - New		\$300
Account 910	Document Handling Fees		\$125

Deductions

952 LIFO Adjustment

Additions/Deductions

Deductions from Income

Synopsis

For dealerships using the “Last In First Out” method of cost accounting, Account 952 is established to record the amount of adjustment allowed by law under the LIFO regulations.

Debits	Credits
1. LIFO inventory adjustments	1. LIFO inventory adjustments

Example 1

Record the LIFO adjustment of \$90,000 for new vehicles at year-end of which \$55,000 is for new cars and \$35,000 is for new trucks.

Journal: General Journal

Entry:		Debit	Credit
Account 952	LIFO Adjustment	\$90,000	
Account 231L	Inventory – New Cars – LIFO Reserve		\$55,000
Account 237L	Inventory – New Trucks – LIFO Reserve		\$35,000

Note:

Professional tax and accounting advice should be obtained regarding the proper method of setting up and reporting LIFO reserves and adjustments.

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

953 Cash Discounts Allowed

Additions/Deductions

Deductions from Income

Synopsis

Account 953 is established to record Cash Discounts granted to customers as an incentive to pay promptly.

Debits	Credits
1. Cash discounts allowed to customers for prompt payment	

Example 1

Record the cash discount of \$14 allowed to a customer for prompt payment on the accounts receivable balance of \$1,350.

Journal: Cash Receipts

Entry:		Debit	Credit
Account 201	Cash on Hand	\$1,336	
Account 953	Cash Discounts Allowed	\$14	
Account 220B	Accounts Receivable – Customers – Service & Parts		\$1,350

Note:

Transactions, which are related, should be recorded in separate sub-accounts. Sub-accounts serve to keep records organized for future analysis and auditing. The sub-accounts in these examples are designated by a letter following the account number (suffix). Please refer to your DSP's instructions for establishing sub-accounts.

955 Other Deductions

Additions/Deductions

Deductions from Income

Synopsis

Account 955 is established to record miscellaneous losses, expenses or deductions, which cannot properly be recorded in any other account.

Debits	Credits
<ol style="list-style-type: none">1. Life insurance premiums paid on the lives of owners2. Excess of the premium paid over the increase in the cash surrender value of life insurance policies owned by the dealership3. Losses on sales of fixed assets, securities, miscellaneous assets received in trade and other investments and miscellaneous assets4. Write – off of organization expense5. Moving expense6. Fees and commissions paid brokers and others for arranging capital loans, mortgages, etc.7. Casualty losses8. Writedown of securities to market value9. Notes and accounts in Account 294, Notes & Accounts Receivable - Other considered uncollectible10. Other non – operating deductions for which no provision has been made	

Example 1

Record the \$1,500 write-down of the securities held for temporary investment to market value.

Journal: General Journal

Entry:		Debit	Credit
Account 955	Other Deductions	\$1,500	
Account 260	Securities		\$1,500

Example 2

Record the write-off of landscaping with a book value of \$12,550 that was destroyed by the snow storm. The dealership owns the building & improvements. The cost of the landscaping is \$18,364 and the accumulated depreciation is \$5,814.

Journal: General Journal

Entry:		Debit	Credit
Account 351	Accumulated Depreciation – Buildings & Improvements	\$5,814	
Account 955	Other Deductions	\$12,550	
Account 281	Buildings & Improvements (Auto Business Only)		\$18,364

Adjustments

097 Bonuses-Employees

Adjustments

Synopsis

Account 097, Bonuses-Employees, is established to record the bonuses paid to employees over the normal salary, wage or pay plan arrangements. The purpose of the bonus is to reward exceptional performance or productivity and to share in the success of the dealership. Bonuses should be used to provide incentives for doing a job well and remaining loyal to the dealership.

Debits	Credits
1. The amount of Bonuses paid to employees 2. The amount of the monthly provision for Bonuses to be paid to employees at a later date	1. The amount of the monthly provision for Bonuses to be paid to employees at a later date

Example 1

Record the monthly accrual of \$2,500 for employee bonuses.

Journal: Payroll

Entry:		Debit	Credit
Account 097	Bonuses – Employees	\$2,500	
Account 328	Employee’s Incentives/Bonuses Payable		\$2,500

Comments

Employees who are eligible to receive a bonus should be given the terms of the bonus plan in writing. The criteria for earning the bonus should also be discussed with each employee to make sure that there are no misunderstandings about the requirements for earning the bonus.

Bonus payments are subject withholding taxes and must be processed through the payroll system. When bonuses are paid each month, the amount of the bonus payment is debited to this account.

If the bonus is to be paid at a later date, such as the end of the year, the monthly portion of the earned bonus should be accrued by crediting [Account 328, Employees Incentives / Bonuses Payable](#) and debiting Account 097, Bonuses - Employees.

Note:

Since the prospect of earning a Bonus serves as an incentive for good work performance and receiving a Bonus is a reward for a job well done, the motivational benefits of paying bonuses is an important part of successful personnel management. It goes without saying that Bonuses should be paid promptly along with a word of recognition. When employees fail to earn available bonuses, a review of the employee's performance is warranted.

098 Bonuses-Owners Adjustments

Synopsis

Account 098, Bonuses-Owners, is established to record the amount of Bonuses paid or payable to Owners of the dealership. Professional tax and accounting advice should be obtained regarding the tax implications to both the dealership and the Owners due to Bonuses paid.

Debits	Credits
1. The amount of Bonuses paid to owners 2. The amount of the monthly provision for Bonuses to be paid to owners at a later date	1. The amount of the monthly provision for Bonuses to be paid to owners at a later date

Example 1

Record the monthly accrual of \$30,000 for the owner's bonus.

Journal: Payroll Journal

Entry:		Debit	Credit
Account 098	Bonuses – Owners	\$30,000	
Account 329	Owner's Bonuses Payable		\$30,000

Comments

When Bonuses are paid to Owners during the month, the amounts of the Bonus payments are debited to this account.

When Bonuses are paid at a later date, such as the end of the year, the monthly provision for the Bonuses should be credited to [Account 329 Owners Bonuses Payable](#) and debited to Account 098, Bonuses-Owners.

099 Income Taxes – Current Year Adjustments

Synopsis

Account 099, Income Taxes – Current Year, is established to record the amount of Income Tax or estimated Income Tax due for Federal, State and/or Local Income Taxes. Professional tax and accounting advice should be obtained regarding the proper handling of Income Taxes due.

Debits	Credits
1. The monthly estimate of federal, State, and/or Local Income Tax 2. The amount to increase the income tax liability based on the final adjusted taxable income for the year	1. The amount to decrease the income tax liability based on the final adjusted taxable income for the year

Example 1

Record the monthly accrual of \$93,750 for the federal and state income taxes.

Journal: Standard Entries Journal

Entry:		Debit	Credit
Account 099	Income Taxes – Current Year	\$93,750	
Account 327	Income Taxes Payable		\$93,750

Comments

An accrual should be set up by crediting [Account 327 Income Taxes Payable](#) with the estimated Income Taxes due. The offsetting debit is posted to Account 099, Income Taxes – Current Year.

Note:

Quarterly payment and filing dates should be observed to avoid penalties and interest.

RECOMMENDED REPOSSESSION ACCOUNTING PROCEDURES

Suggested Procedures for Determining
And Refunding Repossession Surpluses
And For Collecting Repossession Deficiencies

INTRODUCTION

Dealerships are legally required to refund the surplus remaining upon disposition of a repossessed vehicle and are limited in the circumstances and amounts of deficiencies they may collect from a defaulting debtor. Each dealer should consult with its attorney regarding the exact legal requirements applicable in the state where the dealership operates.

The following are procedures, which General Motors recommends that dealers follow in determining surplus amounts to be paid to customers, and deficiencies, which dealers may collect, in connection with the disposition of repossessed vehicles financed through a recourse financing plan with any financing institution. These recommended procedures are designed to help assure dealership compliance with legal requirements. Since the law may change and may vary among the states, the dealership's attorney should periodically review these procedures to determine whether additional or different procedures should be followed.

We suggest that all documents used for determining the surplus or deficiency be placed in vehicle record folders and retained there for at least two years from the date of disposition. Such folders should be clearly identified as repossession files and segregated in the dealership's records.

RECOMMENDED DISPOSITION PROCEDURES

All aspects of the sale or lease of a repossessed vehicle should be commercially reasonable.

The dealership should make the same efforts (consistent with legal requirements) to obtain the best possible price for a repossessed vehicle as the dealership would make for a comparable used vehicle. This means the same standard should be applied in determining appropriate reconditioning and disposition measures, except that a warranty for repossessed vehicle need not be offered as part of the vehicle sale price even if the dealership provides such warranties on non-repossessed used vehicles. Where laws applicable in your area require specified treatment of repossessed vehicles, such as disposition by public sale or disposition within a specified period after repossession, such laws must be observed. You should still attempt to obtain the best possible net return consistent with those laws.

The dealership should not obtain waivers to defeat customers' surplus or redemption rights, except in the precise manner and under the precise circumstances contemplated by the applicable state law versions of Sections 9-620, 9-621, 9-622, and 9-624 of the Uniform Commercial Code. A waiver of a customer's right to a surplus may not be sought unless the dealer intends to return the collateral for its own use for the immediate future rather than to resell the collateral in the ordinary course of business. If a waiver is sought, the dealer should not represent that by proposing the waiver it proposes to forego its right to deficiency judgment, unless it intends to seek such a judgment should the waiver not be given. Remember – the taking of such waivers, except in the very limited circumstances describes above, may expose the dealer to legal action by the Federal Trade Commission and, depending on state law, by state law enforcement agencies or consumers. Therefore, you should consult with your attorney before attempting to take any such waiver. If you take a waiver, you should place and keep in the repossession file all documents relating to the repossession, handling, repair, retention and ultimate sale or lease (if any) of the vehicle.

DEALER REPOSSESSION ACCOUNTING FORM

The dealership should maintain a list of its repossessions. The list may be kept by the dealership on a form modeled after the Schedule of Repossessed Vehicles (Exhibit 3). The Dealer Repossession Accounting Form, a copy of which is attached to these instructions, should be completed for each repossessed vehicle. The following instructions explain how to complete the form.

COMPUTATION OF SURPLUS OR DEFICIENCY

The amount of any surplus or deficiency should be calculated as follows:

- A. Net Selling Price (Adjusted by underallowance or overallowance as described on Page R3.
- B. Add: Insurance and Service Contract Reimbursements Received, Insurance Claim Payments, and other amounts received (describe).
- C. Deduct: Insured Damage Repairs, where such repairs have been effected, and Dealer Payoff.
- D. Equals: Subtotal.
- E. Deduct: Allowable Expenses (as defined in this procedure) incurred by the dealership.
- F. Equals: Subtotal.
- G. Deduct: Allowable Expenses of the financing institution and any adjustments made by the financing institution to the contract balance in computing the Dealer's Payoff to the extent they are to be reimbursed to the financing institution by the dealership, perfected subordinate security interests in the vehicle that are allowed by state law and satisfied by the dealership out of the proceeds of sale, and other obligations owed to the dealership by the financing customer relating to the contract balance.

H. Equals: Surplus to be Refunded to the financing customer or Deficiency on the repossession.

Items A, B, C, E, and G should be derived from the appropriate vehicle record files. Place in these files all records used in preparing the Dealer Repossession Accounting Form.

Lines 1 through 6 (left side)

Record the name and address of the financing customer(s) on Lines 1, 2 and 3. Record the name and address of the new purchaser on Lines 4, 5 and 6. Information on Lines 4, 5 and 6 will not appear on the copy, which, as explained on page R9, should be sent to the financing customer(s) if there is a surplus or if a deficiency is sought. The name and address of the new purchaser should not be provided to the financing customer(s).

Lines 1 through 6 (right side)

Describe the vehicle on Lines 1, 2, and 3. The date of disposition to be recorded on Line 4 is:

- (1) the date of the execution of a binding retail installment contract, if a credit transaction;
- (2) the date of the final settlement, if a cash transaction; or
- (3) the date of execution of a binding lease, if a lease transaction.

The type of disposition should be entered on Line 5, using one of the following descriptions: private party, dealer, junk, lease, leasing company, auction, or other as applicable.

Lines 7 through 11

The name and location of the financing institution should be recorded here. The amount of the dealer payoff and the related check number should also be recorded.

Line 14: Net Selling Price

The Net Selling Price to be entered on Line 14 is the price at which the vehicle was disposed of to an independent third party. In determining the Net Selling Price, the dealership should not use dispositions in which the purchaser is the dealership, the financing institution or a representative of either or use an estimated "actual cash value". Such practices may expose the dealership to legal action by the Federal Trade Commission and, depending on state law, by state law enforcement agencies or consumers. In determining the Net Selling Price, amounts charged the buyer of the repossessed vehicle for any finance charges, insurance premiums, service contract charges, sales taxes, document and official fees, and other charges customarily imposed on the sale of used vehicles should be excluded. Also any separately priced services or accessories itemized in the vehicle sale or lease agreement or invoice, such

as a separately priced warranty, or equipment added by or on behalf of the dealer (e.g., custom sound system, DVD entertainment system) should be excluded from the Net Selling Price, and the cost of such items should not be included in the allowable expenses, Lines 25 through 36.

If the disposition is by lease rather than sale, the Net Selling Price is the cash value of the lease at the time it is executed. The cash value equals the sum of the principal payments called for in the lease plus the residual value at the expiration of the lease, discounted by the discount rate offered by the financing institution primarily used by dealer for the retail financing of that type vehicle at the time the lease is executed. A copy of the sales or lease invoice for the repossessed vehicle should be placed in the vehicle record file.

An overallowance on a vehicle received in trade is a subtraction from the selling price; an underallowance on a vehicle received in trade is an addition to the selling price. An adjustment for overallowance or underallowance should be made only if that is the normal practice of the dealership and if it is not prohibited by law. Any underallowance realized on the disposition may be added in determining the Net Selling Price if overallowances are deducted on the disposition of other repossessed vehicles. The amount of any overallowance given on such a disposition may be deducted in determining the Net Selling Price if:

- (1) the amount so deducted was determined at the time of disposition and is no greater than the excess of the trade-in allowance over the wholesale value of the vehicle taken in trade on the repossessed vehicle as that value is shown in a currently recognized guidebook used in the area, including condition adjustments where applicable;
- (2) overallowances are given and contemporaneously recorded in the normal course of the dealership's handling of non-repossessed vehicles; and
- (3) underallowances are included by the dealer in the proceeds of other repossessed vehicle dispositions wherever applicable. The relevant portion of the guidebook used in determining the value of the trade-in should be photocopied and placed in the vehicle record file.

Lines 15 through 18

The following items should be added to the Net Selling Price:

- A. The unearned portion of the gross insurance premium and service contract charges (including portions identified as dealer commission) with respect to any coverage for which the dealer was the agent or which is received by the dealer from the carrier;
- B. All insurance claim payments received; and
- C. All other amounts received in connection with the repossessed vehicle (describe).

NOTE: If warranty or service contract work has been performed for which reimbursement has been or is to be received, such reimbursement should not be added on Line 18, and no deduction should be made on Lines 25 through 36 for the corresponding repair work. If payment on a service contract has been made and the corresponding work will not be done, include the amount received on Line 18.

Where appropriate, the dealer should promptly apply to insurance carrier for reimbursements with respect to any financed insurance or other coverage and promptly submit appropriate claims for covered collision or other damage. Copies of checks, receipts or other evidence of such payments should be placed in the vehicle record file.

Lines 20 through 22

The following items should be deducted from Line 19

- A. The amount of insured damage paid by insurance carrier, plus the deductible portions not paid by the carrier. The amount of insured damage may be deducted only if the related repairs have been completed.

NOTE: If the repairs are completed, the cost of such repairs should not be included under Allowable Expenses (Lines 25-36 below). In the event of uninsured damage the cost of repairs should be included as Allowable Expenses (See NOTE, Page R6).

- B. The dealer payoff (this is the amount paid to the financing institution by the dealer under its recourse obligations after deduction of the finance charge reimbursement and other appropriate adjustments, if any).

Copies of checks, receipts or other evidence of such payments (or insurance estimates) should be placed in the vehicle record file.

Line 23 – Subtotal

If negative, no further calculation is required unless a deficiency is sought.

Line 24 through 36 – Allowance Expenses

No itemization of deductions in Lines 25-36 should be made beyond those, which exceed the positive amount on Line 23, unless a deficiency is sought.

The expenses of reconditioning and repairs at a dealership's facilities should be charged at the dealership's direct cost. (See below.) Reconditioning and repairs performed by others should be charged at the dealership's direct cost. (See below.) Post-disposition reconditioning and repairs should be charged only when specifically required in writing in the vehicle sale or lease agreement and performed

within 45 days of the date of sale. Parts and labor provided under a warranty or service contract should not be charged to the vehicle.

Only commercially reasonable expenses that are allowable under state law should be deducted, such as the expenses listed below. Dealers could risk legal action by the Federal Trade Commission and, depending on state law, by state law enforcement agencies or consumers for deducting expenses other than expenses reasonably incurred as a direct result of the repossessing, holding, preparing for disposition and disposing of the vehicle and not otherwise reimbursed to the dealership or prohibited by law. Thus, fixed costs, overhead, profit on the disposition of the vehicle, and financing and insurance income lost as a result of the repossession should not be deducted. In addition, the dealership should consult its attorney to determine whether any items of expense listed in these procedures are not permissible deductions under the law of the state in which the dealership operates.

Each expense should be entered under the appropriate heading (Lines 25 through 36) and should be supported by a repair order, invoice, receipt, cancelled check or other business record which demonstrates that the expense was incurred in relation to the particular vehicle. Copies of all supporting documents should be placed in the vehicle record file.

Line 25 - Dealer Reconditioning

Labor and associated parts and supplies furnished by the dealership for the repair, reconditioning, or maintenance of the vehicle in preparation for disposition, including legally required inspections, should be computed at the following cost rates:

- I. The cost rate for mechanical or body work should be based upon the average hourly rate for mechanical technicians employed in the retail repair shop (for mechanical work) or for body/paint technicians employed in the retail body shop (for body work), which should be computed at either
 - (a) the average hourly base rate for the category of technicians (mechanical or body/paint), plus twenty (20) percent of that average hourly base rate for fringe benefits, or
 - (b) the sum of the average hourly base rate for that category of technicians, plus the average hourly cost for those voluntary and legislated fringe benefits for that category of technicians, to the extent those benefits are allowed under the form of Option B (Formula Rate) of the GM plan for reimbursing dealers for warranty, policy and adjustment work in force as of January, 1985. The time factor of the cost of such work should be based upon actual time spent, except that the flat rate may be used if the dealership customarily pays its technicians on a flat rate basis.

NOTE: If the dealer charges its customers on the basis of flat rate time but pays its technicians based on actual time, then actual time should be used in the technicians' labor calculation.

Copies of payroll or other records used in this calculation should be placed in the vehicle record file.

- II. The time factor of the cost for labor for other reconditioning clean-up and preparation work should be based on actual time spent on the vehicle. The cost rate should be computed at either
 - (a) the base hourly wage rate for the employees involved, plus twenty (20) percent of the base hourly wage rate for the fringe benefits, or
 - (b) the sum of the average hourly base rate for that category of employees, plus the average hourly cost for those voluntary and legislated fringe benefits for that category of employees, to the extent those benefits are allowed under the form of Option B (Formula Rate) of the GM plan for reimbursing dealers for warranty, policy and adjustment work in force as of January, 1985. Copies of payroll or other records used in this calculation should be placed in the vehicle record file.
- III. The cost rate for parts utilized from dealership inventory should be based on the dealership's cost for those parts as listed in the current manufacturer's catalog. All other parts should be deducted at actual cost.
- IV.
 - (a) The calculation of average hourly base rate for technicians should be based on a form modeled after the attached Computation of Labor Rate for Reconditioning Repossessed Vehicles Form (Exhibit 4). The dealer need not calculate average wage rates more than once each year, but may do so more often if it chooses. The form should be placed in a file to be kept with the other repossession files, but a copy need not be placed in each vehicle folder.
 - (b) Where the dealer is basing fringe benefit expenses upon Option B (Formula Rate) of the GM plan for reimbursing dealers for warranty, policy, and adjustment work, the calculation should be supported by an Option B worksheet of the kind normally used by the dealer in calculating reimbursement under Option B. The dealer should use Option B worksheet only to calculate fringe benefits (do not go beyond Line 8 on the Option B summary). The dealer need not calculate fringe benefits under Option B more than once each year, but may do so more often if it chooses. This form should be placed in a file to be kept along with the other repossession files, but a copy need not be placed in each vehicle folder.

NOTE: The cost of insured damage repairs completed should not be included under Allowable Expenses, since they have been reflected on Line 21. If there was uninsured collision damage, the cost of repair should be included on Lines 25-36, since the repair cost has not been offset.

Line 26 – Reconditioning by Others

Amounts paid to others for labor and associated parts and supplies purchased for the repair, reconditioning or maintenance (including legally required inspection) of the vehicle in preparation for resale. Copies of checks, receipts or other evidence of such payments should be placed in the vehicle record file.

Line 27 – Sales Commissions

Commissions paid for actual participation in the disposition of the particular vehicle, computed so that the total amount is no higher than that applicable for the sale or lease, as applicable, of a similar, non-repossessed vehicle in similar circumstances and excluding portions of commissions attributable to the selling of service contracts, separately priced warranties, financing or insurance. The amount so determined may be increased to include voluntary and legislative fringe benefits incurred as a direct result of payment of the commission. This includes amounts such as FICA and federal and state unemployment taxes, which are determined on the basis of the amount of commissions paid. The dealer should not include the cost of fringe benefits, which are not determined on the basis of commissions paid, such as the use of a demonstrator, medical insurance, etc. Copies of checks, receipts or other evidence of such payments, including a document showing the manner in which fringe benefits have been calculated, should be placed in the vehicle record file.

Line 28 – Title and Registration Fees

Fees paid to others to obtain title to the vehicle, to obtain legally required inspection of the vehicle, or to register the vehicle. Copies of checks, receipts or other evidence of such payments should be placed in the vehicle record file.

Line 29 – Legal Costs

Filing fees, court costs, cost of bonds, fees and expenses paid to a sheriff or similar officer, and fees and expenses paid to an attorney who is not an employee of the dealer or the financing institution for obtaining possession of or title to the vehicle. Copies of checks, receipts or other evidence of such payments should be placed in the vehicle record file.

Line 30 – Auction Fees

Fees and expenses paid to others for auctioning the vehicle, including no-sale fees. Copies of checks, receipts or other evidence of such payments should be placed in the vehicle record file.

Line 31 – Advertising

A proportional share of expenditures for advertisements that specifically mention the particular vehicle. Copies of checks, receipts or other evidence of such payments and, of the extent available, of the advertising tear sheet or the printed advertisement should be placed in the vehicle record file.

Line 32 – Storage

Expenses paid to others for storage (excluding a charge for storage at facilities operated by the dealership). Copies of checks, receipts or other evidence of such payments should be placed in the vehicle record file.

Line 33 – Dealer Repossession Expense

Expenses paid to others, not employees of the dealership or the financing institution that financed the vehicle, for repossessing, towing or transporting the vehicle. This includes payment of any amounts necessary to obtain possession of the vehicle. Copies of checks, receipts or other evidence of such payment should be placed in the vehicle record file.

Line 34 – Postage, Telephone and Copying

Expenses paid to others for telephone calls, postage, other communications expense and photocopying necessary in arranging for the repossession, holding, transportation, reconditioning and disposition of the vehicle. Copies of checks, receipts or other evidence of such payment should be placed in the vehicle record file.

Line 35 – Insurance

NOTE: The dealer may ignore this possible deduction because of the complexity of calculation and the small amount involved.

Premiums paid specifically for insurance on the repossessed vehicle while in the dealer's possession. Where the insurance invoice does not separately identify the portion of the premium attributable to that vehicle, the dealer should ascertain the amount (if any) by which the premium was increased because the particular vehicle was in inventory. For example, under some insurance agreements the premium is based on actual inventory data at specified intervals. For example, assume the dealer pays for such insurance at the rate for \$2 per month per \$1,000 of inventory value with the inventory reported at each month's end and the repossessed vehicle has an inventory of \$2,000 and is in the dealer's inventory at the month's end. The dealer's out-of-pocket cost of such insurance which may be deducted as an allowable expense would be \$4 ($\$2,000$ [inventory value] \times 1 [number of months] \times $\$2/\$1,000$ [monthly premium per dollar inventory value] = \$4). If the repossession were involved in two such premium-determining inventories, the amount allowable would be twice as much. If the dealer makes such calculation, the vehicle record file should include copies of the relevant premium invoice(s) and of the insurance company or agent's letter or other statement indicating the cost basis upon which the calculation was made.

Line 36 – Other Expenses Allowable Under State Law

Other expenses paid (describe) that are allowable under state law and that are not included on Lines 25-35. Copies of checks, receipts or other evidence of such payments should be placed in the vehicle record file.

Line 37 – Subtotal

If negative, no further calculation is required unless a deficiency is sought.

Line 38

No itemization of deductions on lines 39-40 is required beyond those, which exceed the positive amount on Line 37, unless a deficiency is sought.

Line 39 – Financing Institution Expenses and Allowances

Indicate financing institution expenses and allowances that were not paid by the dealership in the payoff amount but which, under terms of the financing plan, the dealership is to reimburse the financing institution contingent upon the availability of customer funds to cover such reimbursement.

- a. If the amount on Line 37 is positive, payment of the amount on Line 39 or Line 37, whichever is lower, should be made to the financing institution within a reasonable time after disposition. A copy of the check or other evidence of payment should be placed in the vehicle record file.
- b. If the amount on Line 37 is negative, no entry is required on Line 39 unless a Deficiency is to be sought. If a deficiency is to be sought, the amount of financing institution expenses and allowances to be paid will be entered on Line 39 for purposes of developing the total Deficiency amount. Evidence of the amount of these expenses and allowances should be placed in the vehicle record file. Payment should be made to the financing institution upon collection of the Deficiency. Copies of checks, or other evidence of such payment(s) should be placed in the vehicle record file.

Line 40 – Other Liens and Adjustments

Indicate any perfected subordinate security interest (liens) provided for by state law and satisfied by the dealership out of the proceeds of disposition, including where the dealer made payment to the financing institution in connection with the retail installment contract and received with respect thereto a perfected subordinate security interest.

Also include any amount owed to the dealer by the financing customer where the financing customer failed to make promised down payments or where the financing customer's obligation on a trade-in used in the purchase of the repossessed vehicle was greater than the amount represented at the time retail installment contract was executed. However, the dealer should consult with its attorney to determine whether these items are considered under state law to be part of the secured indebtedness owing on the contract.

Copies of checks, receipts or other evidence of such payment or obligations should be placed in the vehicle record file.

Line 41 – Surplus to be Refunded or (Deficiency)

A positive balance remaining on Line 41 should be forwarded to the customer. The check should be accompanied by a copy of the Dealer Repossession Accounting Form and should be sent within a reasonable time of the date of disposition.

CERTIFICATION

The Dealer Repossession Accounting Form should be reviewed and signed by a dealership official authorized to sign retail installment contracts on behalf of the dealership.

MAILING PROCEDURES

The check and form should be set by first-class mail to the financing customer's last residence address known to either the dealership or the financing institution.

The dealership need not, but may, send the check and form by certified mail. However, if the certified letter is returned because delivery is refused, the dealership should retain the receipt and re-send the check and form by first-class mail to the last residence address known. If the check is returned undelivered after the first-class mailing, the return envelope should be retained and the check and the form should be sent to the most recent of the following known addresses: the last employment address known to either the dealer or the financing institution; the address provided by the military locator service (see Exhibits 1 and 2) if the financing customer's last known employment is the military; or the address of a co-signer, relative or other person through whom the customer may be reached. The cancelled check and dealership's copy of the Dealer Repossession Accounting Form shall constitute proof that the surplus was paid and the form was sent. If they are re-mailed, this should also be reflected on the form. The dealership's copy of the form, copy of the check and returned envelope should be placed in the vehicle record file.

LATE REIMBURSEMENTS, CREDITS AND OTHER PAYMENTS

In the event of a reimbursement, credit, or other payment is received after the surplus has been paid, a second check for this amount should be sent in the same manner; if such a reimbursement, credit or payment is received after a prior computation indicated that there was no surplus, a revised computation should be made, and if a surplus results, it should be paid. In either event, payment should be made within a reasonable time of disposition or within a reasonable time of receiving the reimbursement, credit or payment, whichever is later.

DEFICIENCIES

If at any point in completing the Dealer Repossession Accounting form a negative balance is shown, the form need not be completed beyond that point unless the dealership wishes to seek a Deficiency from the financing customer. If the dealership wishes to seek a Deficiency, a Dealer Repossession Accounting Form completed in accordance with these instructions should be sent to the customer. Legal counsel should be consulted to determine whether and in what instances deficiencies may be collected under applicable law. Copies of any documents relating to the calculation or collection of a Deficiency should be kept in the vehicle record file.

RECORD RETENTION

The vehicle record folders for repossessions should be segregated and readily retrievable in the dealership's files. Each such folder should contain all underlying documentation for the entries made on the Dealer Repossession Accounting Form (including a copy of a document, such as a used car record card, showing the value of any vehicle received in trade on the sale of the repossession). All such files and the dealership's list of repossessions should be kept for at least two and preferably three years after the disposition of the repossessed vehicle.

LEGAL LIABILITY

Failure to adhere to the practices recommended above, or to account properly to customers for surpluses, may expose the dealer to legal action by the Federal Trade Commission and, depending on state law, by state law enforcement agencies or consumers.

ACCOUNTING INSTRUCTIONS

For purposes of the dealership's financial accounting, the disposition of a repossessed vehicle should be recorded in the same manner as any other used vehicle sale. In addition, any payment due to the financing customer should be recorded as a credit in [Account 220, Accounts Receivable-Customers](#). The offsetting entry should be recorded as a debit to [Account 853, Repossession Losses – New](#) or [Account 854, Repossession Losses – Used](#).

DEALER REPOSESSION ACCOUNTING FORM

CUSTOMER		VEHICLE DESCRIPTION		
Original	Name(s)	Dealer Stock No.		1
	Address	VIN		2
	Zip	Year	Make	Model
Resale	Name(s)	Date of Disposition		4
	Address	Type of Disposition		5
	Zip			6
FINANCING INSTITUTION				
8	Name	Dealer Payoff \$		8
9	Location	Check No.		9
COMPUTATION OF SURPLUS OR DEFICIENCY				
				AMOUNT
14	Net Selling Price			\$
15	Add:	AMOUNT		
16	Insurance and Service Contract Rebates Received	\$		
17	Insurance Claim Payments Received			
18	Other Amounts Received ()		\$	
19	Sub-Total (Line 14 Plus 18)			
20	Less:			
21	Insured Damage Repairs if completed	\$		
22	Dealer Payoff (Line 8)		\$	
23	Sub-Total (Line 19 Less 22) (see Note 1)			
24	Less Allowable Expenses (see Note 2)			
25	Dealer Reconditioning	\$		
26	Reconditioning by Others			
27	Sales Commission			
28	Title and Registration Fees			
29	Legal Costs			
30	Auction Fees			
31	Advertising			
32	Storage			
33	Dealer Repossession Expense			
34	Postage, Telephone and Copying			
35	Insurance			
36	Other Expenses Allowable under State Law ()		\$	
37	Sub-Total (Line 23 Less 36) (see Note 1)			
38	Less: (see Note 2)			
39	Reimbursement to Finance Institution for Expenses & Allowances	\$		
40	Other Liens and Adjustments		\$	
41	Surplus to be Refunded or (Deficiency) (Line 37 Less 40)			
42	Customer Refund	Amount \$	Check No.	Date

CERTIFICATION

I hereby certify that to the best of my knowledge (1) the vehicle was sold in a commercially reasonable fashion and (2) the above computation of surplus or deficiency on the sale of a repossessed vehicle is accurate and in conformity with the repossession portion of the General Motors Dealers' Standard Accounting System Manual, including the description of allowable expenses contained therein, and (3) any surplus indicated herein has been paid (unless reasonable efforts to locate the original customer have proven unsuccessful).

DEALERSHIP NAME

SIGNATURE

CITY

STATE

TITLE

Note 1 - If negative, no further calculation is required unless a deficiency is sought.
 Note 2 - No itemization of deductions is required beyond those which exceed the positive amount on the preceding line, unless a deficiency is sought.

EXHIBIT 1

BRANCH OF SERVICE	ADDRESS AND PHONE	FEE
U.S. Air Force	U.S. Air Force World Wide Locator AFPC/MSIMDL 550 C Street West Suite 50 Randolph, AFB, TX 78150-4752 Phone: 210-652-5774	\$3.50 Payable to Treasurer of the United States
U.S. Army	Commander U.S. Army EREC Attn: Locator 8899 East 56 th Street Fort Benjamin Harrison, IN 46249-5301 Phone: 317-542-4211	\$3.50 Payable to Treasurer of the United States
U.S. Navy	Commander Navy World Wide Locator Naval Military Personnel Command Locator Services Pers-312F 5720 Integrity Drive Millington, TN 38055-3120 Phone: 901-874-3383	\$3.50 Payable to Naval Military Personnel Command
U.S. Marines	Headquarters - U.S. Marine Corps Personnel Management Support Branch (MMSB-10) 2008 Elliot Road Quantico, VA 22134-5030 Phone: 703-784-3941	\$3.50 Payable to U.S. Treasury Personnel Command
U.S. Coast Guard	Commandant U.S. Coast Guard Coast Guard Personnel Command (CGPC-adm-3) 2100 2 nd . Street S.W. Washington, DC 20593-0001 Phone: 202-267-1340	None

EXHIBIT 2

(Military Personnel Locator Inquiry)

(Addressee)

(See Exhibit 1)

RE: (Complete Customer Name)

(Social Security No.) and/or

(Service No.)

(Rank, If Known)

(Age or Birth Date, If Known)

Dear Sir:

We are endeavoring to communicate with (customer name) in order to pay this customer some money. Please advise of the latest duty station and address where we may correspond. Our check in the amount of \$(see Exhibit 1) is enclosed for your handling fee.

A stamped self-addressed envelope is enclosed for your reply.

Sincerely,

(Name)

(Title)

EXHIBIT 4

COMPUTATION OF LABOR RATE FOR RECONDITIONING REPOSSESSED VEHICLES

L I N E N O	WORKSHEET		
1	CHECK TYPE OF WORK APPLICABLE TO COMPUTED LABOR RATE BELOW:		
2	<input type="checkbox"/> MECHANICAL	<input type="checkbox"/> BODY SHOP	<input type="checkbox"/> OTHER RECONDITIONING (CLEAN-UP OR PREPARATION)
3			
4	BASE WAGE RATES:		
5	NUMBER OF TECHNICIANS (COLUMN A)	BASE WAGE RATE (COLUMN B)	(COLUMN C)
6	_____	\$ _____	\$ _____
7	_____	_____	_____
8	_____	_____	_____
9	_____	_____	_____
10	_____	_____	_____
11	_____	_____	_____
12	_____	_____	_____
13	_____	_____	_____
14	_____	_____	_____
15	_____	_____	_____
16	_____	_____	_____
17	TOTALS	_____	\$ _____
18			
19	AVERAGE BASE WAGE RATE (Line 17 Column C - Line 17 Column A)		\$ _____
20	PLUS FRINGE BENEFIT COST (Select One)		_____
21	METHOD A		_____
22	20% OF AVERAGE WAGE RATE (Line 19 x 20)		_____
23	METHOD B		_____
24	AVERAGE COST PER MAN PER HOUR OF VOLUNTARY AND LEGISLATED FRINGE		_____
25	BENEFITS (Per Option B for Establishment of Warranty Labor Rate Worksheet		_____
26	LABOR RATE TO BE USED WHEN RECONDITIONING REPOSSESSED VEHICLE		_____
27	(Line 19 + Line 22 or 25)		\$
28			
29	PREPARED BY _____		DATE _____
<p>INSTRUCTIONS</p> <ol style="list-style-type: none"> 1. A worksheet should be used to support the average hourly base rate for each type of work used in calculating reconditioning cost under the Repossession Accounting Procedures. 2. This worksheet must be completed for each type of work at least once each year, and may be done more often when deemed necessary. 3. One of the boxes on Line 2 must be checked to indicate the type of work to which the computed rate applies. 4. When completing Lines 7 through 16, you should list all technicians on one line who receive the same base wage rate. For example (number of technicians - 5 x Base Wage Rate \$6 = \$30). 5. This worksheet should be placed in a separate file in the same location as the other repossession files. A copy need not be placed in each vehicle folder. 			

FORM DSA-521 (1-82)

Glossary

The following definitions are of items as they relate to the automotive industry:

Absorption	See Fixed Coverage .
Accelerated Depreciation	A method of computing depreciation which provides greater depreciation allowances in the early years of an asset's use than in subsequent years. See Depreciation .
Accounts Payable	A liability on an open account to a creditor for purchases of merchandise and/or services.
Accounts Receivable	A claim against a debtor on an open account for the sale of merchandise and/or services.
Accrued Liability	The liability covering an expense recognized or incurred but not payable until some future date.
Acid Test Ratio	The ratio of the total current assets, less inventories and prepaid items, to current liabilities.
Add-On Interest	Interest charged on the amount of a loan. Payments are computed by adding the amount of the loan and interest then dividing by the number of months in the loan period.
Amortization	A systematic charge-off of an asset's cost to income over the period estimated to be benefited.
Balance Sheet	A statement of financial position as of a specific date; shown on page 1 of the Operating Report.
Bird Dog Fees	Commissions paid to a person, not regularly employed by a dealership, for a sales "lead" resulting in the sale of a vehicle. This expense is considered a sales commission and is shown in Account 011, Vehicle Salespeople - Compensation & Other .
Break-Even Point	The volume point in terms of new unit sales at which a no-profit, no-loss situation would occur; this concept is intended for use in planning and setting objectives.
Budget Maintenance	Lease arrangement where a given amount is set aside for maintenance. Customer is responsible for all costs. If costs are under the allotted amount, the customer receives a refund; if over, the customer pays the overage.
Cadat (computer aided dealership analysis tool)	A personal computer software analytical tool that provides graphical displays and key business management reports.
Capital Lease	A lease which qualifies as a sales transaction. See Open-End Lease .
Capital Surplus	See Paid-In Surplus.
Cash Flow	Net profit plus amounts charged off for depreciation, depletion, amortization and extra-ordinary charges to reserves, which are non-cash expenses.
Cash Flow Forecast	A projection of the movement of funds of a certain future period for the planning cash needs.
Certificate Of Deposit	A negotiable or transferable interest bearing receipt payable to

	the depositor for funds deposited with a financial institution. The term is generally 30 days or longer.
Chargeback	An amount charged back to a dealership by finance or insurance companies as a result of the cancellation or early retirement of a finance or insurance company agreement with a customer.
Chattel	An item of tangible, moveable or immovable property, except real estate.
Closed-End Lease	Lessor furnishes the equipment and assumes depreciation risks. Closed-end leases are operating leases.
Compensating Balance	Minimum balance on deposit required by lending institutions for the privilege of borrowing money from them.
Compound Interest	Interest computed on principal plus interest.
Contract	An agreement between two parties for consideration to do a particular thing (e.g., the lease agreement).
Cost Of Sales	The total cost of merchandise and/or labor sold during a given accounting period; for recommended costing procedures.
Covenant Not To Compete	An agreement, where for consideration, the seller of a business agrees not to compete with the buyer for a period of time. Also called "Non Compete Agreement".
Current Assets	Unrestricted cash and other assets that are expected to be converted into cash, sold or consumed during the normal operating cycle of a business.
Current Liabilities	Short term debt, regardless of its source, including any accrued liability which is to be paid out of current assets.
Current Ratio	The ratio of current assets to current liabilities.
Curtailment	The reduction of an obligation
Customer Satisfaction Index (CSI)	The level of customer satisfaction as determined by surveys of dealership customers.
Daily Operating Control (DOC)	A report intended to keep management informed as to daily progress toward sales and profit goals.
DCES (Dealer Consultant Expert System)	An artificial intelligence tool that provides a consistent and complete dealership analysis and makes recommendations.
Deferred Income	Income that will not be earned until a future period.
Delayed Payment Privilege	A privilege granted by a financial institution to a dealership whereby the pay off of the vehicle note is delayed after the sale. Customer vehicle sales on extended payment terms usually qualify for delayed payment privilege.
Departmental Profit	The amount by which the departmental gross profit exceeds the departmental total expenses.
Depreciation	An allowance for the wear and tear, exhaustion, and decline in value of business property.
Direct Costs	Costs directly allocable to the production of lease and rental income, that vary directly with the number of units in service. For example, interest paid by the dealership on a lease unit would be a direct cost relating to the income produced by that unit.
Discounted Finance Contract	An installment sales contract assigned by the dealer to a bank or finance company. The net proceeds from such a contract equal the face amount of the contract less amounts withheld by the finance institution such as finance charges.

Discounted Interest	Interest computed on the total amount of the loan and then deducted from the proceeds of the loan.
Effective Units	The average number of lease and rental units in service during the year. Month-end units are used in computing the average.
Escrow Account	Money deposited with a third party that is not to be delivered until the fulfillment of certain conditions.
Facts Dealer Number	The number by which each dealer is identified in the FACTS computer system. (This number is shown in the upper left-hand corner of the operating report.)
Fair Value	The selling price of the vehicle to the lease customer as if the transaction was a purchase at the current market price.
Finance Lease	The lessor furnishes the vehicle with the lessee assuming the risk of depreciation. See Open-End Lease .
Financial Statements	Statements that reflect the collection, tabulation and final summarization of the accounting data. The statements generally are the balance sheet, profit and loss statement, statement of changes in financial position and the statement of retained earnings.
Fixed Coverage	A measure of the fixed gross profit expressed as a percentage of total fixed overhead expense. The ratio is intended primarily as a measure of the effectiveness of the Service and the Parts and Accessories Departments in the context of the dealership's total expense structure.
Fixed Expenses	Operating expenses which do not vary materially in the short term with changes in sales volume.
Fixed Gross Profit	The combined gross profits of the Service and the Parts and Accessories Departments.
Fixed Net Loss	The excess of the total fixed overhead expense over the combined gross profits of the Service and the Parts and Accessories Departments. See Unabsorbed Overhead .
Fixed Overhead Expenses	Expenses that do not vary proportionately with vehicle sales. These include personnel, semi-fixed and fixed expenses.
Fixed Sales	Sales generated in the Service and Parts Departments.
Flat Rate Time	The time allowance to perform a particular service function based on time studies and specified in various service manuals used in the automotive industry.
Fleet Sales	Vehicle sales made to fleet customers such as leasing companies and commercial accounts holding fleet certificates.
Floor Plan	The financing of vehicle inventories.
Forecast	A projection of sales, expenses and profits for a specific future period for the purpose of setting objectives and planning.
GM Auction Vehicle	A used vehicle purchased for resale at a GM auction or from a GM division.
Goodwill	The amount paid for a business in excess of the fair market value of the net assets purchased. Also referred to as Blue Sky".
Gross Profit	Net sales less cost of goods and labor sold.
Guarantee	A written promise by one person (the co-signer) to be liable for the debt of another person in the event that the debtor fails to perform his obligation.

Guide Averages	Averages applicable to various elements of the business, derived from composites of dealership operating reports, which are intended for use in the comparative evaluation of the performance of individual dealerships.
Holdback	Amounts specified as Holdback on new vehicle invoices billed to the dealership. The amount of the holdback generally is 3% of the list price of the vehicle and the total of the list prices of optional equipment and accessories on the vehicle. Holdback is not part of the cost of the vehicle and should be handled as a receivable from the factory. Holdback amounts are accumulated by the factory and are intended to be paid or credited to the dealership on a quarterly or monthly basis at the option of the dealer.
Indirect Expense	An expense of a general nature not directly applicable to an operating department.
Insurance	A contractual relationship which exists when one party agrees to indemnify or guarantee another against loss from a contingent event.
Insurance - Additional Named Insured	Anyone other than the insured who is protected against loss by the terms of the policy.
Insurance - All Risk Insurance	A policy which covers against a loss caused by all perils except specific exclusions in the policy.
Insurance - Cancelable	A policy which may be terminated by an insurance company upon a 30-day written notice.
Insurance - Collision	Any act or instance of hitting or striking another object, regardless of fault, in which the insured's vehicle loss is covered.
Insurance - Combined Additional Coverage	Coverage which pays for direct and accidental loss of or damage to a vehicle caused by only those perils explicitly listed in the policy.
Insurance - Combined Single Limit	One total amount of coverage applicable to any one loss without restriction on the amount any one person may collect.
Insurance - Comprehensive	Coverage against a loss caused by all perils on an insured vehicle.
Insurance - Conversion	Any unauthorized act which deprives an owner of the use of his property permanently or for a period of time.
Insurance - Credit Disability	In the event of the disability of an insured individual, prior to the expiration of the contract, the insurer will pay to the named recipient (in accordance with policy provisions) the insured individual's monthly payment during the term of disability. Generally, benefits are payable after a 30-day waiting period.
Insurance - Credit Life	In the event of the death of an insured individual, prior to the expiration of a contract, the insurer will fulfill the insured's remaining contract obligations in accordance with policy provisions.
Insurance - Fire Insurance	Coverage insuring against direct loss by fire and lighting.
Insurance - Garage Liability	Insurance that protects the dealer on sales and service activities but may not cover the risks of a dealership's leasing activity.
Insurance - Liability Insurance	Coverage insuring the loss for any damages caused by the insured's negligence.

Insurance - Loss Payee	A clause providing for payment of a loss for which the insurer is liable to the insured and to someone other than the insured.
Insurance - Medical Payments	Coverage that pays for medical, surgical or dental services due to an accident. Coverage is limited and applies without regard to negligence.
Insurance - Non-Cancelable	Coverage guaranteed for the term of the contract and cannot be cancelled with or without cause.
Insurance - Occasional Operator	One who is not the principal driver of the vehicle.
Insurance - Physical Damage	Covers loss sustained on the insured vehicle.
Insurance - Proof of Insurance	Written document (Certificate of Insurance) from an insurance company which attests that the vehicle is insured for certain coverages and limits.
Insurance - Theft	Coverage which pays for loss or damage caused by theft, larceny, robbery or pilferage.
Insurance - Umbrella	A contract that covers losses over and above the limits stipulated on the primary insurance policy.
Insurance - Underage Driver	For insurance purposes, this means anyone with a valid driver's license but under a certain age set by each state.
Insurance - Uninsured Motorist	This is a protection against loss from being involved in an accident with a motorist who is not protected by insurance. It will cover losses caused by the uninsured motorist.
Internal Control	The system of control adopted by a business to safeguard its assets, check the accuracy and reliability of its accounting data, and promote operational efficiency.
Internal Sales	Sales of vehicles, services or materials by the New Vehicle Department, Service Department or the Parts and Accessories Department to an operating or administrative department of the business. Such sales provide a means of charging the department benefited and reimbursing the selling department with the prime cost of the items sold plus an amount (reflected in the gross profit generated) sufficient to cover a pro rata share of the departmental overhead.
Inventories	Merchandise available for sale
Investment Turnover Ratio	The ratio of net sales to net worth.
Lease	A contract between an owner and a user of property. The owner turns over the use of his property to the user in return for periodic rental payments.
Leasehold Improvements	The cost of improvements made to leased facilities.
Lease Term	The duration of a lease
Leesee	The user of leased property
Lessor	The party who leases the property to the user or lessee.
Letter Of Credit	An instrument issued on behalf of a buyer of a buyer by a financial institution certifying that a third party is entitled to draw upon its credit with the financial institution up to a certain sum.
Lien	A legal right on the property of another for payment of a debt.
LIFO (Last-In, First-Out)	A cost flow assumption method that matches the last costs for items in inventory with current revenue, with the ending inventory value computed using the first costs incurred. Under

	LIFO, it is assumed that goods are sold in the reverse order of their acquisition. Thus, cost of sales is based upon the most recent costs. Ending inventory is based upon the costs of the earliest purchase made.
Long Term Liabilities	Debts, including mortgages payable and any accrued or contingent liabilities, which are not to be paid during the current operating cycle.
Maintenance Lease	Lessor furnishes the vehicle and pays for maintenance according to the terms of the lease.
Month-End Units	The number of vehicles in inventory or lease and rental units in service at the month end.
Motor Vehicle Report	A report which is available through a state's Motor Vehicle Agency to indicate a driver's violations, accidents and suspensions.
Net Lease	The lessor furnishes the vehicle and assumes the depreciation risks; commonly referred to as an operating lease.
Net Sales	Total sales after all returns, allowances and discount.
Net Worth	Total assets less total liabilities, representing the owner's equity in the business.
New Vehicle Inspection Labor Sale	A labor sale chargeable to the factory dealing with the preparation of new vehicles for delivery.
Non-Recourse Finance Contracts	An installment sales contract assigned by the dealer to a bank or finance company for which the dealer is not liable for customer contract defaults.
Open-End Lease	The lessor furnishes the vehicle and the lessee assumes the risk of depreciation. An open-end lease usually referred to as a capital lease. See Capital Lease .
Operating Lease	A lease which does not qualify as a sales transaction (usually segregated between maintenance and non-maintenance operating leases). See Closed-End Lease .
Operating Profit	The aggregate of all departmental gross profits less total expense.
Operating Report	A financial reporting form specifically intended for use by General Motors dealers, consisting of a balance sheet, a departmentalized income and expense statement and additional statistical data derived from accounting records.
Other Assets	Assets not used or not intended for use in the automotive business.
Out-Of-Trust	A term used to describe the situation when a vehicle has been sold but the related note payable is still outstanding.
Paid-In Surplus	Capital contributed by stockholders in excess of par or stated value of capital shares. (No additional shares are issued to represent this increase inequity.)
Personnel Turnover Rate	The ratio of the number of personnel terminated and replaced to the average number of personnel employed during the accounting period.
PNUS	Per new unit sold
PNUSR	Per new unit sold retail
Policy Work	The internal selling price of labor and materials for which neither

	the customer nor manufacturer will be charged.
Policy Work - Vehicles	The repair or adjustment of vehicles previously sold or leased (except under a lease maintenance agreement).
Policy Work - Parts and Service	The repair or adjustment of defective service work and the replacement of defective parts and accessories sold.
Power Of Attorney	The legal delegation of authority to act on behalf of another.
Prepaid Expenses	Assets representing expenditures for future benefits which will be expensed as such benefits accrue.
Prepaid Interest	The excess of the face value of a loan over the proceeds of the loan.
Productive Personnel	Dealership personnel who directly create gross profits by their primary activity. For example, service technicians and salespeople.
Profit and Loss Statement	A statement of revenue and expenses for a specific period of time.
Protection Plan	Mechanical breakdown insurance or what is commonly referred to as an extended service contract.
Purchase Allowances	Discounts allowed to a dealer by the factory for the purchase of certain parts and accessories.
Reconditioning Cost	The cost incurred to restore a used vehicle to salable condition.
Recourse Finance Contract	An installment sales contract assigned by the dealer to a bank or finance company for which the dealer is liable for losses to the lending institutions resulting from customer contract default.
Rental Unit	A vehicle made available by one party for use by another party on a short-term basis for a fee.
Residual Value	The value of an asset at the end of its useful life. In leasing, an estimate made of the wholesale value of the vehicle.
Return on Investment	A ratio of profit to investment, expressed as a percentage, applying to a given accounting period.
Return on Sales	A ratio of profit to net sales, expressed as a percentage, applying to a given accounting period.
Sales and Profit Forecast	A projection of sales, expenses and profits for a specific future period for the purpose of setting objectives and planning.
Security Deposit	An amount collected by the owner from the user at the beginning of a contract to provide a measure of protection for the owner against non-compliance with contract stipulations. If not used, this deposit is refundable at the end of the contract term.
Self-Insurance	A practice whereby a company underwrites its own insurance protection.
Selling Ratio	The ratio of used vehicle unit sales to new vehicle unit sales.
Semi-Fixed Expenses	Operating expenses which vary with, but not in direct proportion to, sales volume.
Service Absorption	Also called Fixed Coverage .
Simple Interest	Charges for a loan of money computed by applying a rate against the amount of the loan outstanding for a given period.
Smart Lease	A name given to a type of lease handled by GMAC.
Stock Order Allowance	Discounts allowed to a dealer for the purchase of certain parts and accessories submitted via a stock order pad as specified by the factory.

Subrogation	The right on an insurance company to recover the amount of a loss under a policy from a third party.
Subsidiary	A company controlled by a parent company owing substantial interest.
Supportive Personnel	All employees other than productive personnel.
Total Fixed Overhead	Total operating expenses of the building less Variable Selling Expenses.
Transport Claim	A claim made for reimbursement of the cost of repairs to vehicles damaged in transit.
Treasury Stock	A purchase by a corporation of its own capital stock that is not retired.
Unabsorbed Overhead	The excess of the total fixed overhead expense over the combined gross profits of the Service and the Parts and Accessories Departments.
Unapplied Time	The cost of technician's compensation for productive time which is not applied as cost on repair orders.
Variable Gross Profit	The combined gross profits of the New and Used Vehicle Departments and the Lease and Rental Department.
Variable Net Profit	The combined gross profits of the New and Used Vehicle Departments and Lease and Rental Department less Variable Selling Expenses.
Variable Sales	Sales made by the New, Used and Lease and Rental Departments.
Variable Selling Expense	Operating expenses which are directly related to vehicle sales and tend to vary in direct proportion to vehicle sales volume.
Vehicle Delivery Receipt	An acknowledgement of receipt of a vehicle by the buyer or user.
Vehicle Return Receipt	A form completed at the end of lease contract where the lessor acknowledges return of the vehicle and agrees with the vehicles condition.
Warranty Claim Sales	A sale chargeable to the manufacture under the warranty claims provision of a selling agreement.
Without Sheet	A record detailing the total gross profit derived from an original vehicle sale after all trade-ins resulting from that sale have been disposed.
Working Assets	Non-current assets other than fixed and other assets, used in the automobile business. Driver training vehicles and lease and rental units are categorized as such.
Working Capital	Same as dealer net working capital.
Working Capital Standard	The amount established by the vehicle division as to the minimum amount of working capital the dealership should have.