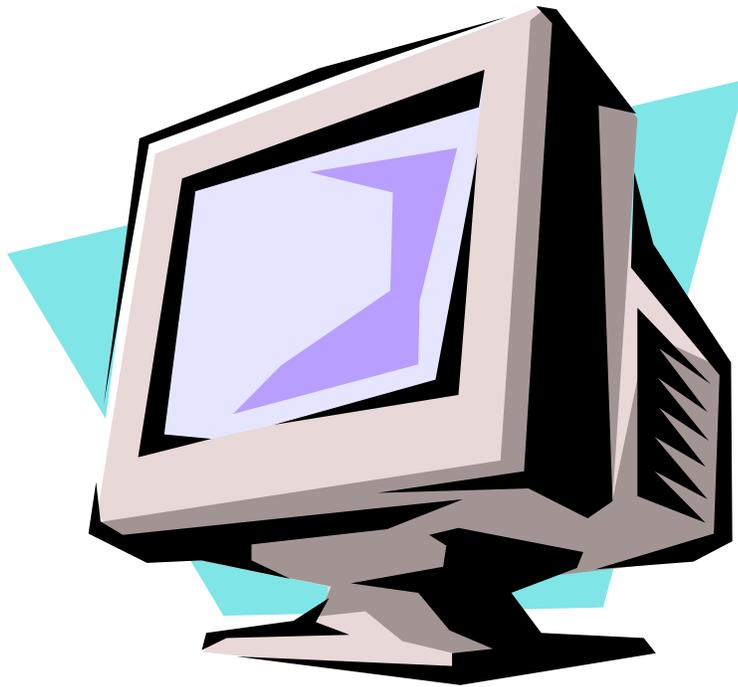


Dealership Office Management and Ford Accounting

-- Second Edition --

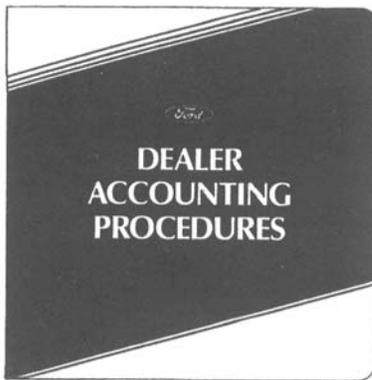
Unit 7. Introduction to Dealership Accounting



Unit 7. Introduction to Dealership Accounting



In Units 1-6, we have discussed basic accounting using generic company information. In this Unit, we begin our review of Ford and Lincoln Mercury accounting.



Every Ford and Lincoln Mercury dealership in the country uses the *Dealer Accounting Procedures* manual, available from Reynolds+Reynolds™. By using standard account numbers and a standard financial statement, your dealer and Ford Motor Company will be able to compare your dealership's profits and expenses to other dealerships across the country.

This is a manual that all dealership accounting personnel should study. Each section of the manual details specific accounting issues. These sections are:

- A. Chart of Accounts
- B. Assets
- C. Liabilities and Net Worth
- D. Sales and Cost of Sales
- E. Expenses
- F. Other Income and Deductions
- G. Accounting Forms and Use
- H. Closing Routine
- I. Financial Statement Preparation
- J. Departmentalization
- K. Vehicle Leasing and Rental
- L. Daily Operating Control
- M. Office Management
- N. Accounting Bulletins
- O. Repossession Practices
- P. Index

This accounting manual illustrates each account and account number in the Ford Motor Company Dealer Chart of Accounts. A sample page from this manual is shown on the following page. Note that each standard account number has its own page of explanations, sample entries and other references.

Unit 7. Introduction to Dealership Accounting

Exhibit: Dealer Accounting Procedures sample page.

ACCRUED PENSIONS		LIABILITY ACCOUNT	
		2422	
ACCOUNT EXPLANATION			
Employer's contributions accrued in accordance with the dealership's pension plan.			
TRANSACTIONS			
	Jrnl.	Dr.	Cr.
Monthly accrual of employer's contribution to pension plan	SE		
Pensions		8200	
Accrued Pensions			2422
Pension payments to trustee including employe contributions	CD		
Employe Deductions		2120	
Accrued Pensions		2422	
Cash in Bank—General			1001
COMMENTS			
<ul style="list-style-type: none"> • Employee payroll deductions under a contributory pension plan should be credited to Account 2120, Employee Deductions Payable. • Legal and tax advice should be obtained in connection with planning and administering a pension plan. • A subsidiary record, such as Form FMC 61, Prepaid and Accrued Expense Schedule, should support this account and should be used in computing monthly accruals. 			
<p style="font-size: small; margin: 0;">FORD MOTOR COMPANY (1-89)</p> <p style="text-align: center; font-size: small; margin: 0;">C-27</p>			

In addition to this accounting manual, you will be using a two page chart of accounts for quick reference beginning on the next page. The first page lists Ford's standard Balance Sheet accounts. These consist of Asset, Liability and Net Worth accounts.

Unit 7. Introduction to Dealership Accounting

Exhibit: Reynolds+Reynolds Chart of Accounts – fold-out page with vehicle sales and cost of sales accounts.

1998 CHART OF ACCOUNTS			SALES AND COST OF SALES-EXPORT ONLY		
PAGE/ LINE NO.	ACCOUNT NUMBER	DESCRIPTION	PAGE/ LINE NO.	ACCOUNT NUMBER	DESCRIPTION
	Sales	COS		Sales	COS
SALES AND COST OF SALES-NORTH AMERICAN OPERATIONS			SALES AND COST OF SALES-EXPORT ONLY		
3/1	3000	4000	3/4	3030	4030
3/1	3001	4001	3/4	3031	4031
3/2	3010	4010	3/7	3070	4070
3/2	3011	4011	3/7	3071	4071
3/3	3020	4020	3/7	3100	4100
3/3	3021	4021	3/7	3101	4101
3/4	3090	4090	3/9	3110	4110
3/4	3091	4091	3/9	3111	4111
3/5	3040	4040	3/17	3120	4120
3/5	3041	4041	3/17	3121	4121
3/6	3050	4050	3/26	3130	4130
3/6	3051	4051	3/26	3131	4131
3/7	3060	4060	3/26	3140	4140
3/7	3061	4061	3/26	3141	4141
3/8	3080	4080	3/30	3150	4150
3/8	3081	4081	3/30	3151	4151
3/9	3310	4310	3/33	3160	4160
3/9	3311	4311	3/33	3161	4161
3/11	3200	4200	3/35	3650	4650
3/11	3201	4201	3/35	3651	4651
3/12	3210	4210	3/37	3660	4660
3/12	3211	4211	3/37	3661	4661
3/13	3220	4220	3/41	3170	4170
3/13	3221	4221	3/44	3180	4180
3/14	3270	4270	3/44	3181	4181
3/14	3271	4271	3/45	3190	4190
3/15	3250	4250	3/45	3191	4191
3/15	3251	4251	3/46	3230	4230
3/16	3320	4320	3/46	3231	4231
3/16	3321	4321	3/47	3240	4240
3/17	3280	4280	3/47	3241	4241
3/17	3281	4281	3/50	3930	4930
3/18	3290	4290	3/50	3931	4931
3/18	3291	4291	3/52	3940	4940
3/19	3300	4300	3/52	3941	4941
3/19	3301	4301			
3/21	3340	4340	SALES AND COST OF SALES-JAGUAR DEALERS ONLY		
3/21	3341	4341	3/1	0400	0600
3/23	3360	4360	3/1	0410	0610
3/24	3370	4370	3/2	0421	0621
3/26	4380		3/2	0431	0631
3/28	3400	4400	3/3	0420	0620
3/28	3401	4401	3/3	0430	0630
3/29	3410	4410	3/4	0422	0622
3/29	3411	4411	3/4	0432	0632
3/30	3420	4420	3/5	0401	0601
3/30	3421	4421	3/5	0411	0611
3/31	3430	4430	3/6	0407	0607
3/31	3431	4431	3/6	0417	0617
3/32	3780	4780	3/7	0405	0605
3/32	3781	4781	3/7	0415	0615
3/33	3790	4790	3/8	0406	0606
3/33	3791	4791	3/8	0416	0616
3/34	3450	4450	3/9	0423	0623
3/34	3451	4451	3/9	0433	0633
3/35	3490	4490	3/10	0424	0624
3/35	3491	4491	3/10	0434	0634
3/36	3480	4480	3/12	0409	0609
3/36	3481	4481	3/12	0419	0619
3/37	3510	4510	3/14	0408	0608
3/37	3511	4511	3/19	0440	0640
3/38	3590	4590	3/19	0450	0650
3/38	3591	4591	3/20	0441	0641
3/39	3460	4460			
3/39	3461	4461	USED VEHICLE DEPARTMENT		
3/41	3470	4470	4/1&4/2	3700	4700
3/41	3470	4470	4/1&4/2	3701	4701
3/43	3740	4740	4/1	3715	4715
3/43	3741	4741	4/1	3716	4716
3/44	3910	4910	4/1	3720	4720
3/44	3911	4911	4/1	3730	4730
3/45	3560	4560	4/1	3731	4731
3/45	3561	4561	4/3	3800	4800
3/46	3580	4580	4/3	3801	4801
3/46	3581	4581	4/3	3815	4815
3/47	3550	4550	4/3	3816	4816
3/47	3551	4551	4/4	3750	4750
3/48	3570	4570	4/4	3751	4751
3/48	3571	4571	4/4	3765	4765
3/50	3600	4600	4/4	3766	4766
3/50	3601	4601	4/4	3770	4770
3/51	3610	4610	4/4	3774	4774
3/51	3611	4611	4/5	3860	4860
3/54	4620		4/5	3861	4861
3/56	4630		4/5	3865	4865
3/57	4640		4/5	3870	4870
			4/6	3871	4871
			4/6	3875	4875
			4/6	3876	4876
			4/7	3950	4950
			4/7	3951	4951
			4/7	3965	4965
			4/7	3966	4966
			4/9	3710	4710
			4/9	3711	4711
			4/10	3805	4805
			4/10	3807	4807
			4/11	3760	4760
			4/11	3761	4761
			4/12	3955	4955
			4/12	4956	
			4/13	4702	
			4/13	4752	
			4/13	4880	

This page illustrates the large number of different new and used vehicle sale accounts.

Unit 7. Introduction to Dealership Accounting

Exhibit: Reynolds & Reynolds Chart of Accounts page with additional sale, cost of sale, income and expense accounts.

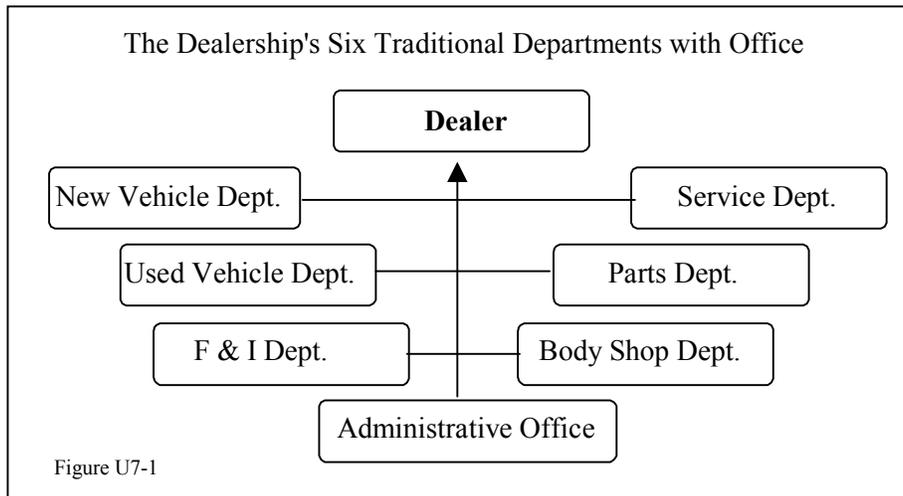
PAGE/ LINE NO.	ACCOUNT NUMBER	DESCRIPTION	PAGE/ LINE NO.	ACCOUNT NUMBER	DESCRIPTION	PAGE/ LINE NO.	ACCOUNT NUMBER	DESCRIPTION
	<u>Sales</u>	<u>COS</u>		<u>Sales</u>	<u>COS</u>		<u>Sales</u>	<u>COS</u>
		COST OF SALES-LIFO			DEPARTMENT (CON'T)			BODY SHOP EXPENSES
4/35	6200	Life Adjustment - New	5/27	5820 6820	Body Shop-Labor-Paint	5/46	7800	Salaries - Managers
4/35	6250	Life Adjustment - Used	5/35	5821 6821	Body Shop-Labor-Paint Other	5/46	7805	Comm & Incent - Mgr
5/43	6300	Life Adjustment - Parts			Franchise	5/47	7810	Salaries - Other
		F & I VEHICLES	5/29	5830 6830	Body Shop-W&P Claims	5/48	7820	Comm & Incent - Other
4/24	5000	Finance Contracts Income-New	5/35	5831 6831	Body Shop-W&P Claims	5/49	7830	Advertising
4/25	5010	Finance Contracts Income Adjust-New	5/31	5840 6840	Body Shop-Internal Labor	5/49	7831	Promotion
4/26	5020	Insurance Contracts Income-New	5/35	5841 6841	Body Shop-Internal Labor	5/50	7840	Training
4/27	5030	Insurance Contracts Income Adjust-New			Other Franchise	5/51	7850	Policy Adjustment
4/28	5040	Ext. Serv. Contracts Income-New	5/16	6845	Body Shop-Unapplied Time COS	5/52	7860	Service Loaner Expense
4/29	5050	Ext. Serv. Contracts Income Adjust-New	5/33	5850 6850	Body Shop-Materials	5/52	7861	Service Loaner Expense Refund
4/30	5060	Other Merchandise-New-Sales			VARIABLE EXPENSE - NEW	5/53	7870	Tools & Supplies
4/30	6060	Other Merchandise-New-COS	4/40	7000	Comm & Incentives-Salesmen-New	5/54	7871	Freight
4/31	6070	Repossession Loss-New	4/41	7010	Comm & Incentive-Sls Mgr-New	5/55	7880	Equip & Veh Maint
4/31	6080	Repossession Refunds-New	4/42	7010	Comm & Incentive-F&I Mgr-New	5/56	7885	Inventory Control & Data Processing
		F & I USED VEHICLES	4/42	7410	Comm & Incentive-F&I Mgr-New	5/57	7890	Vacation & Time Off Pay-Tech
4/24	5100	Finance Contracts Income - Used	4/43	7030	PreDelivery-New			FIXED EXPENSES
4/25	5110	Finance Contract Income Adjust - Used	4/44	7040	PreDelivery Refund-New	6/1	8000	Salaries-General Manager
4/26	5120	Insurance Contract Income - Used	4/45	7050	Free Service-New	6/2	8020	Salaries-administrative
4/27	5130	Insurance Contract Income			VARIABLE EXPENSES - USED	6/3	8040	Employee Benefits
		ADJUST - USED	4/40	7200	Comm & Incentive-Salesmen-Used	6/4	8100	Payroll Taxes
4/28	5140	Ext Serv Contract Income - Used	4/41	7210	Comm & Incentive-Sls Mgr-Used	6/5	8200	Pensions
4/29	5150	Ext. Serv Contract Income Adjust - Used	4/42	7460	Comm & Incentive-F&I Mgr-Used	6/5	8210	Annual Recognition (Non US)
4/30	5160	Other Merchandise - Used - Sales	4/45	7230	Free Service-Used	6/6	8220	Institutional Advertising
4/30	6160	Other Merchandise - Used - COS	4/48	7070	SEMI-FIXED EXPENSE - NEW	6/6	8240	Institutional Promotion
4/31	6170	Repossession Loss - Used	4/49	7080	Salaries-Salesmen-New	6/7	8300	Rent & Lease Expense
4/31	6180	Repossession Refunds - Used	4/50	7100	Salaries-Sales Mgrs-New	6/7	8320	Interest-Mortgage
		PARTS DEPARTMENT	4/51	7400	Salaries-Other-New	6/7	8340	Deprec Bldg & Improvements
5/1	5400 6400	Parts-Wholesale	4/52	7110	Salaries-F&I-New	6/7	8360	Amort of Leasehold Improvements
5/1	5401 6401	Parts-Wholesale Other Franchise Only	4/53	7120	Advertising-New	6/7	8380	Insurance-Buildings
5/3	5410 6410	Parts-Wholesale Job Incentive COS	4/54	7130	Advertising-Refunds/Allow-New	6/7	8400	Taxes-Real Estate
5/3	5411 6411	Parts-Wholesale Job Incent COS	4/54	7130	Promotion-New	6/7	8420	Maintenance-Buildings
		Oth Fran Only	4/55	7140	Training-New	6/8	8500	Utilities
5/5	5420 6420	Parts-Counter Retail	4/56	7150	Demonstrator Expense-New	6/9	8520	Telephone
5/5	5421 6421	Parts-Counter Retail-Other	4/57	7160	Service Loaner Expense-New	6/10	8540	Taxes-Excl Real Estate & Inc.
		Franchise Only	4/57	7170	Service Loaner Expense Refund-New	6/11	8600	Insurance-Officers' Life
5/7	5430 6430	Parts-Repair Shop	4/58	7420	Other F&I-New	6/11	8620	Ins-Excl Bldg & Employee
5/21	5431 6431	Parts-Repair Shop Other Franchise	4/59	7180	Interest-Floor Plan-New	6/12	8640	Office Supplies
5/9	5440 6440	Parts-ESP Repair	4/60	7190	Floor Plan Interest Assistance-New	6/13	8660	Prof & Service Fees
5/21	5441 6441	Parts-ESP Repair Other Franchise			SEMI-FIXED EXPENSES - USED	6/14	8680	Data Processing
5/11	5450 6450	Parts-Shop Job Incentive	4/48	7270	Salaries-Salesmen-Used	6/15	8700	Bad Debts
5/21	5451 6451	Parts-Shop Job Incentive Other Franchise	4/49	7280	Salaries-Sales Mgrs-Used	6/16	8720	Contributions
		Parts-Shop Job Incentive Other Franchise	4/50	7300	Salaries-Other-Used	6/17	8740	Interest-Excl Veh & Mortgage
5/12	5460 6460	Parts-W&P Claims-Serv	4/51	7450	Salaries-F & I-Used	6/18	8760	Depreciation-Equipment
5/21	5461 6461	Parts-W&P Claims-Serv Other Franchise	4/52	7310	Advertising-Used	6/19	8780	Equip & Vehicle Maint-General
		Parts-Internal-Serv	4/53	7320	Advertising-Refunds/Allow-Used	6/20	8800	Travel & Entertainment
5/14	5470 6470	Parts-Internal-Serv	4/54	7330	Promotion-Used	6/21	8820	Miscellaneous Expense
5/21	5471 6471	Parts-Internal-Serv Other Franchise	4/55	7340	Training-Used	6/24	8900	Dealer Salary
5/17	5480 6480	Parts-Sublet Repair	4/56	7350	Demonstrator Expense-Used			ADJUSTMENTS TO INCOME
5/19	5490 6490	Parts-Misc. Merchandise	4/57	7360	Service Loaner Expense-Used			ADDITIONS TO INCOME
5/19	5491 6491	Parts-Industrial Engines	4/57	7370	Service Loaner Expense Refund - Used	6/29	5210	Rental-Salaries
5/25	5500 6500	Parts-B/S Metal	4/58	7470	Other F & I-Used	6/30	5220	Rental-Commission/Incentives
5/35	5501 6501	Parts-B/S Metal Other Franchise	4/59	7380	Interest-Floor Plan-Assistance Used	6/31	5230	Rental-Other Expenses
5/27	5510 6510	Parts-B/S Paint	4/60	7390		2/16&6/32	5200	Rental Vehicle-Net Income
5/35	5511 6511	Parts-B/S Paint Other Franchise			PARTS DEPARTMENT EXPENSE	2/15	5300	Leased Vehicle Net Income
5/29	5520 6520	Parts-W&P Claims-Body Shop	5/46	7600	Salaries-Managers	2/17	9000	Recreation Vehicle Income
5/35	5521 6521	Parts-W&P Claims-Body Shop Other Franchise	5/46	7605	Comm & Incent-Mgr	2/19	9050	Tractor/Other Income
		Parts-Internal-Body Shop	5/47	7610	Salaries-Other	2/18	9055	D.E.R.-Jaguar Only
5/31	5530 6530	Parts-Internal-Body Shop	5/48	7620	Comm & Incent-Other	2/21	9060	Indemnities (Non US)
5/35	5531 6531	Parts-Internal-Body Shop Other Franchise	5/49	7630	Advertising			BONUSES & INCOME TAX
		Parts-Materials	5/49	7631	Promotion	2/22	9500	Dealer Bonus
5/33	5540 6540	Parts-Materials	5/50	7640	Training	2/23	9550	Employee Bonus
5/39	6550	Parts-Discount Earned	5/51	7650	Policy Adjustment	2/26	9900	Estimated Income Tax
5/39	6560	Parts-Rebates-Unused Parts Return	5/52	7660	Service Loaner Expense	2/27	9910	Profit Sharing (Non US)
5/40	6570	Parts-Inventory Adjustment	5/52	7661	Service Loaner Expense Refund	2/28	9920	Combined Capital Reserve (Non US)
5/40	6580	Parts Return & Handling Charges	5/53	7670	Tools & Supplies	2/28	9925	Legal Reserve (Non US)
		SERVICE DEPARTMENT	5/54	7671	Freight			ADJUSTMENTS TO INCOME - ADDITIONS
5/7	5700 6700	Service-Repair Shop	5/55	7680	Equip & Veh Maint	2/17	9100	Cash Discounts Earned
5/21	5701 6701	Service-Repair Shop Other Franchise	5/56	7690	Inventory Control & Data Processing	2/18	9150	Interest Income
5/9	5710 6710	Service-ESP Contract	5/57	7695	Vacation & Time Off Pay-Tech	2/19	9200	Dividend Income
5/21	5711 6711	Service-ESP Contract Other Franchise			SERVICE DEPARTMENT EXPENSES	2/20	9250	Sale of Fixed Assets
5/12	5720 6720	Service-W&P Claims	5/46	7700	Salaries-Managers	2/21	9300	Other Income
5/21	5721 6721	Service-W&P Claims Other Franchise	5/47	7710	Comm & Incent-Mgr	2/21	9350	Exchange Rate Adjustment (Non US)
5/14	5730 6730	Service-Internal	5/47	7710	Salaries-Other			ADJUSTMENTS TO INCOME - DEDUCTIONS
5/21	5731 6731	Service-Internal Other Franchise	5/48	7720	Comm & Incent-Other	2/23	9400	Cash Discounts
5/16	6740	Service-Unapplied Time COS	5/49	7730	Advertising	2/24	9450	Other Deductions
5/17	5750 6750	Service-Sublet Repair	5/49	7731	Promotion	2/24	9600	Monetary Adjustment (Non US)
5/19	5760 6760	Service-Other Merchandise	5/50	7740	Training			
5/33	5770 6770	Service-Repair Shop Materials	5/51	7750	Policy Adjustment			
5/33	5780 6780	Service-Gas, Oil & Grease	5/52	7760	Service Loaner Expense			
		BODY SHOP DEPARTMENT	5/52	7761	Service Loaner Expense Refund			
5/17	5800 6800	Body Shop -Sublet Repair	5/53	7770	Tools & Supplies			
5/25	5810 6810	Body Shop-Labor-Metal	5/54	7771	Freight			
5/35	5811 6811	Body Shop-Labor-Metal Other Franchise	5/55	7780	Equip & Veh Maint			
			5/56	7785	Inventory Control & Data Processing			
			5/57	7790	Vacation & Time Off Pay-Tech			

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As you review these accounts, notice how each department's accounts are clearly identified. For example, there are new car sales accounts and used car sales accounts with separate variable and semi-fixed expense accounts.

Unit 7. Introduction to Dealership Accounting

This chart illustrates department accounting, where a business breaks down total sales on a department-by-department basis. Using departmental account numbers, the financial reports can track the profit or loss of each department.



A typical dealership is made up of six typical departments, with each department manager reporting to the Dealer or General Manager.

There is one office staff handling the accounting for all six departments. Later in this course, we will be studying a case study dealership, John Dealer Ford Lincoln-Mercury and its office staff. We believe that John Dealer's office staff may be very similar to the office in your dealership.

Using departmental accounting, the office staff is able to combine individual departments into a combined financial statement. An exhibit of this is shown below in Figure U7-2. Note how each department contributes to overall dealership profits.

Six Departments Contribute to Total Dealership Profit!

Departments	New Veh.	Used Veh.	F&I	Service	Parts	Body Shop
Sales	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx	xx,xxx
Cost of Sales	<u>xx,xxx</u>	<u>xx,xxx</u>	<u>xx,xxx</u>	<u>xx,xxx</u>	<u>xx,xxx</u>	<u>xx,xxx</u>
Gross	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Variable Expense	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Semi-Fixed Expense	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>
Selling Gross	xxx	xxx	xxx	xxx	xxx	xxx
				↓		
Total Selling Gross - all Depts.				xx,xxx		
Fixed Expenses				<u>xx,xxx</u>		
Operating Profit				x,xxx		
Other Income/Expense				<u>x,xxx</u>		
Net Dealership Profit				x,xxx		

Figure U7-2

Unit 7. Introduction to Dealership Accounting

The *Dealer Accounting Procedures* manual contains the individual account numbers for each department and descriptions of typical entries for each account. The importance of standard account numbers, standard financial statements and standard accounting procedures cannot be over-emphasized:

The management of a retail automobile dealership requires many different ingredients for success. One of the most important is a sound system for financial management. ... This Manual of Accounting Procedures provides the basis for establishing such a management system.

Foreword – Dealer Accounting Procedure
Ford Motor Company

Dealership Interpretation of this Manual:

Your dealership's Dealer and Office Manager may have their own interpretation of Ford accounting policies, financial controls and internal procedures. Each dealership is a little different from the next dealership down the road. Each office is managed a little differently. However, each office ultimately produces a standard financial statement each month.

If you think of standardization as the best you know today, but which is to be improved tomorrow, you get somewhere.

- Henry Ford

Your office is part of a *standard* dealership. However, while there are standard policies and procedures that are very useful, there are always different ways to accomplish the same or better results. As you learn your new position, you may be able to suggest improvements to the way your office operates. Experienced car people will tell you that they learn something new all the time.

For example, many dealership office managers have added additional account names and numbers to the standard Ford chart of accounts. These additional sub-accounts assist the office manager in managing the dealership books and records.

To test your understanding, complete the Exercise on the following page.

Unit 7. Introduction to Dealership Accounting

EXERCISES:

1. Fill in the blanks on the account numbers and names below:

Account Number	Account Description
	Common Stock
	Ford Receivable – Jobbing Incentive
2300	
	Notes Payable – New Vehicles & Demonstrators
3040	
	Cost of Sales – Continental Retail Lease
	Remarketed Truck Retail Reconditioning
5510	
7140	
	Extended Service Contract Income – Used
	Cost of Sales – Service – Warranty & Policy Labor
	Finance Contracts Income – Used
8020	

2. Mark the following questions as True or False.

- _____ A. The offsetting cost of sale account for account 3410 – Explorer
Retail is account number 4410.
- _____ B. The offsetting cost of sale account for account 5730 – Service –
Internal Labor sales is account number 5731.
- _____ C. The account number for Petty Cash is 1000.
- _____ D. The offsetting cost of sale account for account 5420 – Parts Counter
Sales is account number 6440.

Check your answers with the answers shown on the following page.

Unit 7. Introduction to Dealership Accounting

EXERCISE – ANSWERS:

1. Fill in the blanks on the account numbers and names below:

Account Number	Account Description
2801	Common Stock
1180	Ford Receivable – Jobbing Incentive
2300	Customer Deposits
2000	Notes Payable – New Vehicles & Demonstrators
3040	Retail Sales – Mustang
4301	Cost of Sales – Continental Retail Lease
4951	Remarketed Truck Retail Reconditioning
5510	Parts Sales – Body Shop Paint
7140	Training – New Vehicle
5140	Extended Service Contract Income – Used
6720	Cost of Sales – Service – Warranty & Policy Labor
5100	Finance Contracts Income – Used
8020	Salaries – administrative

2. Mark the following questions as True or False.

<u>True</u>	A. The offsetting cost of sale account for account 3410 – Explorer Retail is account number 4410.
<u>False</u>	B. The offsetting cost of sale account for account 5730 – Service – Internal Labor sales is account number 5731.
<u>True</u>	C. The account number for Petty Cash is 1000.
<u>False</u>	D. The offsetting cost of sale account for account 5420 – Parts Counter Sales is account number 6440.

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Dealership Accounting Journals:

In earlier units, only the General Journal was mentioned. However, a typical business will have several different journals for different transactions. These may include:

- Sales Journal
- Cash Receipts Journal
- Cash Disbursements Journal
- Purchase Journal
- General Journal

Dealerships have additional journals for reporting departmental sales results. Review this table below with typical dealership journal names, journal numbers (required for computerized accounting) and the typical document entered for each journal.

Typical Dealership Accounting Journals

Journal Name	Journal No.**	Accounting Document
New Vehicle Sales Journal	10	Vehicle sales invoice
Used Vehicle Sales Journal	20	Vehicle sales invoice
Repair Shop Sales	30	Repair Order
Internal Repair Sales	31	Repair Order
Parts Counter Sales	32	Repair Order
Body Shop Repair Sales	33	Repair Order
Warranty Claims Sales Journal	34	Warranty Repair Order
Warranty Payment Journal	45	Warranty Payment Statement
Cash Receipts Journal	50	Cash receipt
Electronic Funds Transfer (EFT) Journal	55	DEFT transmittal report
Cash Disbursements Journal	60	Check Vendor invoices
Vehicle Purchase Journal	70	Ford vehicle invoices
Accounts Payable or Purchase Journal	75	Vendor invoice
General Journal	80	Worksheet or voucher
Standard Entry Journal	81	Worksheet or voucher
Payroll Journal	89	Payroll summary report

** Note: Different computer vendors may suggest or assign different numbers to journal names. Additionally, office managers add other journals for specific entries, such as Auction Vehicle Purchase Journal or Wholesale Vehicle Sales Journal. Therefore, new office staffers should find a print-out of journal names and numbers and memorize it. You should find that the journal names and numbers on this table will match at least some of your dealership's journal listing.

Dealership Schedules (or Subsidiary Ledgers):

In our earlier Units, we reviewed several Balance Sheet accounts such as:

- Accounts Receivable
- Accounts Payable

These accounts typically contain many transactions from several different customers or vendors. For example, assume that a business has a debit balance of \$1,000 in Accounts Receivable. This balance is made up of three customers' individual balances.

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Accounts Receivable	
Customer A	\$ 500
Customer B	300
Customer C	200
Balance	\$ 1,000

Figure U7-3

The General Ledger balance of \$1,000 is correct and is adequate for preparing financial statement, but it is not adequate for keeping track of each customer's account activity. Therefore, there must be a subsidiary ledger for this

account. In the days of hand written or manual accounting, each customer would have a card or ledger page showing purchases made on credit and payments on accounts.

Account Card for J. Smith				
Date	Transaction	Purchase	Payment	Balance
5-Jan	Sale - invoice 124	50.00		50.00
6-Jan	Sale - invoice 145	75.00		125.00
8-Jan	Sale - invoice 155	65.00		190.00
10-Jan	payment - check 4456		125.00	65.00
15-Jan	Sale - invoice 200	15.00		80.00
18-Jan	Sale - invoice 240	22.00		102.00
31-Jan	Statement sent - month-end			102.00
5-Feb	Sale - invoice 278	50.00		152.00
10-Feb	payment - check 4490		102.00	50.00

Figure U7-4

At the end of each accounting period (ex. at month-end), each customer's balance would be determined (\$102.00) and added together. The total of all customer cards should match the balance in the general ledger. If the totals did not match, the accountant would have to find the error in one of three places.

1. Error in hand-written sales journal.
2. Error in hand-written general ledger card for Accounts Receivable.
3. Error in customer card.

This process was slow and cumbersome. With today's computerized accounting systems, office managers schedule important account numbers such as Accounts Receivable so that each customer transaction entered into an accounting journal automatically updates both the general ledger balance, as well as the schedule balance for that customer. See Figure U7-5 below.

Account 1120 - Accounts Receivable Schedule						Current Dollar Balance by Control Number for Account Numbers listed.			
Accounting Data Entry Information from Dealership Journals						Acct #	Acct #	Acct #	Acct #
Control #	Date	Jrnl #	Ref #	Acct #	Amount	1120			
5590	J. Smith								
	1/5/CY	32	124	1120	50.00				
	1/6/CY	32	145	1120	75.00				
	1/8/CY	32	155	1120	65.00				
	1/10/CY	50	11564	1120	(125.00)				
	1/15/CY	32	200	1120	15.00				
	1/18/CY	32	240	1120	22.00				
	1/31/CY		ME	1120					
								102.00	
5591	E. Stanton								
	1/31/CY		ME	1120	15.00			15.00	
	SCHEDULE TOTALS as of 1/31/CY							<u>117.00</u>	

Figure U7-5

Customer J. Smith's debit and (credit) transactions are listed under the control number 5590. The month-end balance of \$102.00 appears on the right side of the schedule.

For sake of illustration, assume that the next customer, E. Stanton had no activity for the month of January and still owes a balance of \$15.00 from the previous month.

Since only their \$15.00 outstanding balance appears on the schedule, this schedule would be considered a balance forward schedule, keeping track of only current month activity.

While different computer vendors may program their schedules to appear in slightly different ways, there are several features that all computerized schedules will have.

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- Customers will generally appear on the report by control number sequence. (ex. 5590, 5591). Alternatively, some schedules may be requested to sort alphabetically, (Adams, Baker, Carter).
- Generally, schedule column headings will include the following items:
 1. Control Number – customer identification number
 2. Date – date of transaction
 3. Journal # - journal number of journal where entry was made. (ex. Journal 32 – Parts Counter Sales Journal)
 4. Reference Number – the reference number of the document where the entry was made. (ex. Parts counter invoice number 124)
 5. Account Number – the account number used for the transaction that is assigned to this schedule. (Ex. – account 1120 – Accounts Receivable – Parts, Service & Body Shop. Remember that this schedule has room for four account numbers to be tracked on the same report.
 6. Amount – the dollar amount of the entry to the account. Transactions on the schedule show as their normal sign, with offsetting entries indicated with a minus bracket or sign (-). For example, the normal sign for an accounts receivable account is a debit balance. Therefore, debit entries are shown in this example with no notation or sign. Alternatively, a credit entry to accounts receivable is indicated with a (bracket). Note: Some computer vendors may show both + and – entry notations to indicate debit or credit entries. Verify with your office manager how debit or credit entries appear on your system’s schedules
- The schedule will list all debit and credit entries to the scheduled account number (ex. 1120 – Accounts Receivable) for the month and calculate a ending total by individual control number and in total for the entire schedule. This is noted on the sample schedule by the notation, *Accounting Data Entry Information from Dealership Journals*.
- The dollar balance for the total schedule will match the general ledger balance for the account. For example, our sample schedule has a total debit balance of \$117.00. This is noted on the sample schedule by the notation, *Current Dollar Balance by Control Number for Account Numbers Listed*. In this example schedule, the schedule has been built to keep track of up to four different accounts on one report. However, only one account (1120 – Accounts Receivable) has currently been assigned to this report. You will see other schedules later with more than one account number.
- Some schedules are built to keep track of all detail to a particular control number as long as there is dollar balance remaining for the customer. This is called a *detail-forward* schedule. Other schedules may be built to keep track of only current month detail and prior month balances, like this example of a *balance-forward* schedule.

Schedules (or subsidiary ledgers) are critical information to dealership office managers.

With the thousands of transactions recorded each month to key balance sheet accounts, schedules allow the office staff to keep track of these transactions on a customer-by-customer, vendor-by-vendor basis. We will be studying many more schedules in later Units.