

# **Dealership Office Management and Ford Accounting**

**-- Second Edition --**

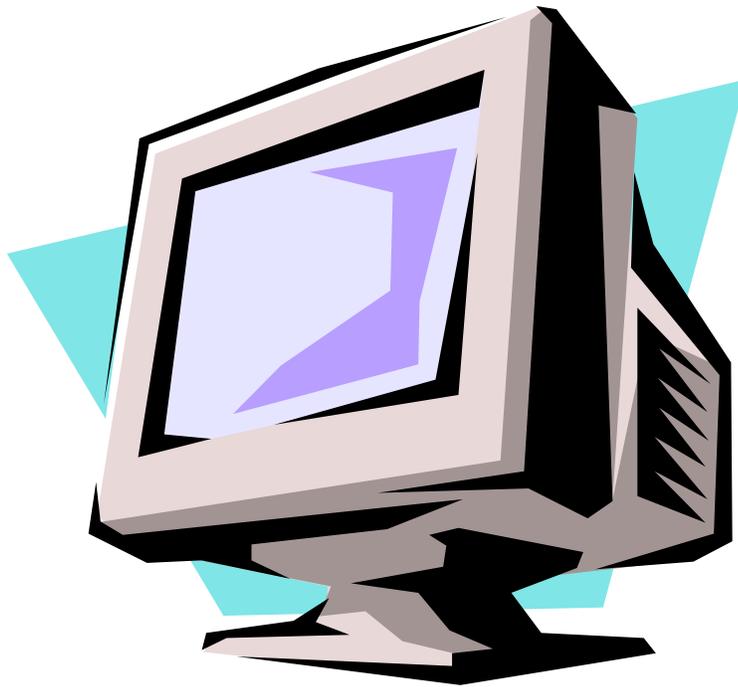
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## **Unit 7. Introduction to Dealership Accounting**

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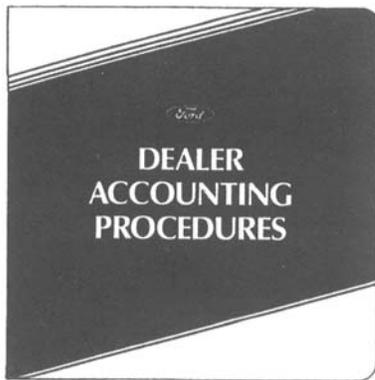


## Unit 7. Introduction to Dealership Accounting

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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.

<b>ACCRUED PENSIONS</b>		<b>LIABILITY ACCOUNT</b>	
		<b>2422</b>	
<b>ACCOUNT EXPLANATION</b>			
Employer's contributions accrued in accordance with the dealership's pension plan.			
<b>TRANSACTIONS</b>			
	<b>Jrnl.</b>	<b>Dr.</b>	<b>Cr.</b>
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
<b>COMMENTS</b>			
<ul style="list-style-type: none"> <li>• Employee payroll deductions under a contributory pension plan should be credited to Account 2120, Employee Deductions Payable.</li> <li>• Legal and tax advice should be obtained in connection with planning and administering a pension plan.</li> <li>• 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.</li> </ul>			
<small>FORD MOTOR COMPANY (1-89) <span style="float: right;">C-27</span></small>			

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	SALES	COS	PAGE/ LINE NO.	ACCOUNT NUMBER	DESCRIPTION	
			SALES	COS				SALES
<b>SALES AND COST OF SALES-NORTH AMERICAN OPERATIONS</b>								
3/1	3000	4000	Crown Vic Retail		3/4	3030	4030	Mondeo Retail
3/1	3001	4001	Crown Vic Retail Lease		3/4	3031	4031	Mondeo Retail Lease
3/2	3010	4010	T-Bird Retail		3/7	3070	4070	Lasor Retail
3/2	3011	4011	T-Bird Retail Lease		3/7	3071	4071	Lasor Retail Lease
3/3	3020	4020	Taurus Retail		3/7	3100	4100	Telstar Retail
3/3	3021	4021	Taurus Retail Lease		3/7	3101	4101	Telstar Retail Lease
3/4	3090	4090	Contour Retail		3/9	3110	4110	Fiesta/KA Retail
3/4	3091	4091	Contour Retail Lease		3/9	3111	4111	Fiesta/KA Retail Lease
3/5	3040	4040	Mustang Retail		3/17	3120	4120	Lincoln (all models) Retail
3/5	3041	4041	Mustang Retail Lease		3/17	3121	4121	Lincoln (all models) Retail Lease
3/6	3050	4050	Probe Retail		3/26	3130	4130	Escort Commercial Retail
3/6	3051	4051	Probe Retail Lease		3/26	3131	4131	Escort Commercial Retail Lease
3/7	3060	4060	Escort Retail		3/26	3140	4140	Fiesta Commercial Retail
3/7	3061	4061	Escort Retail Lease		3/26	3141	4141	Fiesta Commercial Retail Lease
3/8	3080	4080	Aspire/Fiesta Retail		3/30	3150	4150	Courier/Thal Ranger Retail
3/8	3081	4081	Aspire/Fiesta Rtl Lse		3/30	3151	4151	Courier/Thal Ranger Retail Lease
3/9	3310	4310	Escort ZX2 Retail		3/33	3160	4160	Transit Retail
3/9	3311	4311	Escort ZX2 Retail Lease		3/33	3161	4161	Transit Retail Lease
3/11	3200	4200	Grand Marquis Retail		3/35	3650	4650	Galaxy Retail
3/11	3201	4201	Grand Marquis Retail Lease		3/35	3651	4651	Galaxy Retail Lease
3/12	3210	4210	Cougar Retail		3/37	3660	4660	Econovan Retail
3/12	3211	4211	Cougar Retail Lease		3/37	3661	4661	Econovan Retail Lease
3/13	3220	4220	Sable Retail		3/41	3170	4170	Non Franchise Fleet Lt Trucks
3/13	3221	4221	Sable Retail Lease		3/44	3180	4180	Series 700-800 (Combined) Retail
3/14	3270	4270	Mystique Retail		3/44	3181	4181	Series 700-800 (Combined) Rtl Lse
3/14	3271	4271	Mystique Retail Lease		3/45	3190	4190	Cargo (All Models) Retail
3/15	3250	4250	Tracer Retail		3/45	3191	4191	Cargo (All Models) Rtl Lse
3/15	3251	4251	Tracer Retail Lease		3/46	3230	4230	F-4000 Retail
3/16	3320	4320			3/46	3231	4231	F-4000 Retail Lease
3/16	3321	4321			3/47	3240	4240	F-1400 Retail
3/17	3280	4280	Town Car Retail		3/47	3241	4241	F-1400 Retail Lease
3/17	3281	4281	Town Car Retail Lease		3/50	3930	4930	Other Franchise Heavy Trucks
3/18	3290	4290	Mark Retail		3/50	3931	4931	Other Franchise Heavy Trucks Lease
3/18	3291	4291	Mark Retail Lease		3/52	3940	4940	Non Franchise Med/Hvy Trucks
3/19	3300	4300	Continental Retail		3/52	3941	4941	Non Franchise Med/Hvy Trucks Lease
3/19	3301	4301	Continental Retail Lease		<b>SALES AND COST OF SALES-JAGUAR DEALERS ONLY</b>			
3/21	3340	4340	Non Franchise Retail		3/1	0400	0600	XJ6 Retail
3/21	3341	4341	Non Franchise Retail Lease		3/1	0410	0610	XJ6 Retail Lease
3/23	3360	4360	Ford Motor Company Fleet		3/2	0421	0621	XJ8 Retail
3/24	3370	4370	Non Franchise Fleet		3/2	0431	0631	XJ8 Retail Lease
3/26	4380		Car Incentives		3/3	0420	0620	XJ6 LWB Retail
3/28	3400	4400	Expedition Retail		3/3	0430	0630	XJ6 LWB Retail Lease
3/28	3401	4401	Expedition Retail Lease		3/4	0422	0622	XJ8 LWB Retail
3/29	3410	4410	Explorer Retail		3/4	0432	0632	XJ8 LWB Retail Lease
3/29	3411	4411	Explorer Retail Lease		3/5	0401	0601	Vanden Plas Retail
3/30	3420	4420	Econoline/Club Wagon Retail		3/5	0411	0611	Vanden Plas Retail Lease
3/30	3421	4421	Econoline/Club Wagon Retail Lease		3/6	0407	0607	XJR Retail
3/31	3430	4430	Ranger Retail		3/6	0417	0617	XJR Retail Lease
3/31	3431	4431	Ranger Retail Lease		3/7	0405	0605	XK8 Coupe Retail
3/32	3780	4780	F-Series (F150-250 under 8500# GVW) Rtl		3/7	0415	0615	XK8 Coupe Retail Lease
3/32	3781	4781	F-Series (F150-250 under 8500# GVW) Rtl Lse		3/8	0406	0606	XK8 Convertible Retail
3/33	3790	4790	F-Super Duty (F250-350 over 8500# GVW) Rtl		3/8	0416	0616	XK8 Convertible Retail Lease
3/33	3791	4791	F-Super Duty (F250-350 over 8500# GVW) Rtl Lse		3/9	0423	0623	
3/34	3450	4450	Aerostar Retail		3/9	0433	0633	
3/34	3451	4451	Aerostar Retail Lease		3/10	0424	0624	
3/35	3490	4490	Windstar Retail		3/10	0434	0634	Non Jaguar Cars Retail
3/35	3491	4491	Windstar Retail Lease		3/12	0409	0609	Non Jaguar Cars Retail Lease
3/36	3480	4480	Villager Retail		3/14	0408	0608	Jaguar Fleet Car
3/36	3481	4481	Villager Retail Lease		3/19	0440	0640	Truck/Other Retail
3/37	3510	4510	Mountaineer Retail		3/19	0450	0650	Truck/Other Retail Lease
3/37	3511	4511	Mountaineer Retail Lease		3/20	0441	0641	Fleet Truck/Other
3/38	3590	4590	Navigator Retail		<b>USED VEHICLE DEPARTMENT</b>			
3/38	3591	4591	Navigator Retail Lease		4/1&4/2	3700	4700	Used Car Retail
3/39	3460	4460	Non Franchise Lt Trk Retail		4/1&4/2	3715	4715	Used Car Retail Reconditioning COS
3/39	3461	4461	Non Franchise Lt Trk Retail Lease		4/1	3716	4716	Used Car Retail Lease
3/41	3470	4470	Fleet Light Truck		4/1	3720	4720	Used Car Retail Lease Reconditioning
3/43	3740	4740	F-Super Duty (F450-550 Over 8500# GVW) Rtl/Flt		4/1	3721	4721	Used Car Non Franchise Reconditioning - Rtl Lse
3/43	3741	4741	F-Super Duty (F450-550 Over 8500# GVW) Lse Rtl/Flt		4/1	3730	4730	Used Car Non Franchise - Retail
3/44	3910	4910	H201/Series 700/800 - Retail/Fleet		4/1	4731	4731	Used Car Non Franchise - Reconditioning-Retail
3/44	3911	4911	H201/Series 700/800 - Lse Rtl/Flt		4/3	3800	4800	Remarketed Cars Retail
3/45	3560	4560	Series 7000-8000 Rtl/Flt		4/3	4801	4801	Remarketed Cars Retail Reconditioning
3/45	3561	4561	Series 7000-8000 Rtl/Flt Lease		4/3	3815	4815	Remarketed Cars Retail Lease
3/46	3580	4580	Series 9000 + All Tandems Rtl/Flt		4/3	4816	4816	Remarketed Cars Rtl Lse Reconditioning
3/46	3581	4581	Series 9000 + All Tandems Rtl/Flt Lease		4/4	3750	4750	Used Lt Trk Retail
3/47	3550	4550	Louisville 6500 (Excl Tandems) Rtl/Flt		4/4	4751	4751	Used Lt Trk Retail Reconditioning
3/47	3551	4551	Louisville 6500 (Excl Tandems) Rtl/Flt Lease		4/4	3765	4765	Used Lt Trk Retail Lease
3/48	3570	4570	Louisville/AeroMax 9500 Rtl/Flt		4/4	4766	4766	Used Lt Trk Rtl Lse Reconditioning
3/48	3571	4571	Louisville/AeroMax 9500 Rtl/Flt Lse		4/4	3770	4770	Used Lt Trk Non Franchise Rtl Lse
3/50	3600	4600	Non Franchise Class 4-7 Rtl/Flt		4/4	4774	4774	Used Lt Trk Non Franchise Reconditioning
3/50	3601	4601	Non Franchise Class 4-7 Rtl Lse		4/5	3860	4860	Used Med Truck Retail
3/51	3610	4610	Non Franchise Class 8 Rtl/Flt		4/5	4861	4861	Used Med Truck Rtl Reconditioning COS
3/51	3611	4611	Non Franchise Class 8 Rtl Lse		4/5	3865	4865	Used Med Truck Rtl Lease
3/54	4620		Truck Incentives COS		4/5	4866	4866	Used Med Truck Rtl Lse Reconditioning
3/56	4630		Resale-Hvy Duty Only COS		4/6	3870	4870	Used Hvy Truck Retail
3/57	4640		Dealer Transfers COS		4/6	4871	4871	Used Hvy Truck Retail Reconditioning
					4/6	3875	4875	Used Hvy Truck Rtl Lease
					4/6	4876	4876	Used Hvy Truck Rtl Lse Reconditioning
					4/7	3950	4950	Remarketed Truck Retail
					4/7	4951	4951	Remarketed Truck Retail Reconditioning
					4/7	3965	4965	Remarketed Truck Rtl Lse
					4/7	4966	4966	Remarketed Truck Rtl Lse Reconditioning
					4/9	3710	4710	Used Cars Wholesale
					4/9	4711	4711	Used Cars Wholesale Reconditioning
					4/10	3805	4805	Remarketed Cars Wholesale
					4/10	4807	4807	Remarketed Cars Wholesale Reconditioning
					4/11	3760	4760	Used Truck Wholesale
					4/11	4761	4761	Used Truck Wholesale Reconditioning
					4/12	3955	4955	Remarketed Truck Wholesale
					4/12	4956	4956	Remarketed Truck Wholesale Reconditioning
					4/13	4702	4702	Used Car Retail Inventory Adjustment
					4/13	4752	4752	Used Trk Retail Inventory Adjustment
					4/13	4880	4880	Used Med/Hvy Inventory Adjustment

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.

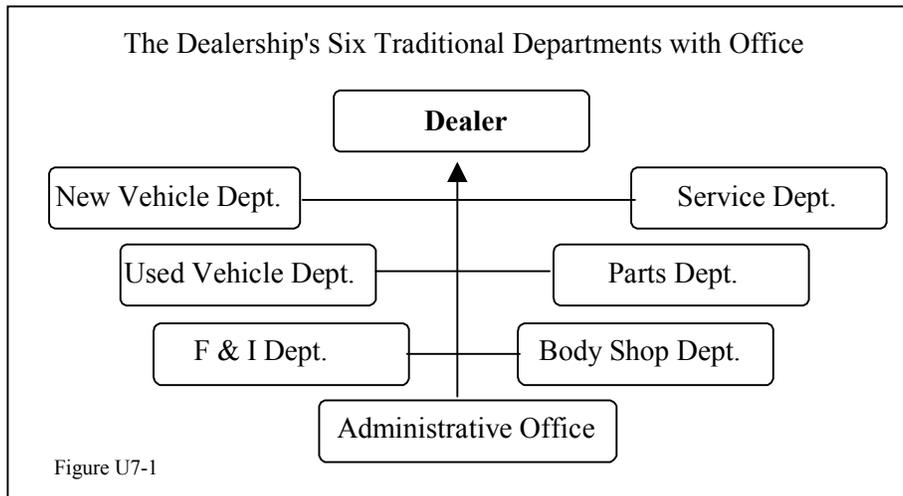
PAGE/ LINE NO.	ACCOUNT NUMBER	DESCRIPTION	PAGE/ LINE NO.	ACCOUNT NUMBER	DESCRIPTION	PAGE/ LINE NO.	ACCOUNT NUMBER	DESCRIPTION
	<u>Sales</u>	<u>COS</u>		<u>Sales</u>	<u>COS</u>		<u>Sales</u>	<u>COS</u>
		<b>COST OF SALES-LIFO</b>			<b>DEPARTMENT (CON'T)</b>			<b>BODY SHOP EXPENSES</b>
4/35	6200	Life Adjustment - 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
		<b>F &amp; I VEHICLES</b>	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			<b>VARIABLE EXPENSE - NEW</b>	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
		<b>F &amp; I USED VEHICLES</b>	4/43	7030	PreDelivery-New	5/57	7890	Vacation & Time Off Pay-Tech
4/24	5100	Finance Contracts Income - Used	4/44	7040	PreDelivery Refund-New			<b>FIXED EXPENSES</b>
4/25	5110	Finance Contract Income Adjust - Used	4/45	7050	Free Service-New	6/1	8000	Salaries-General Manager
4/26	5120	Insurance Contract Income - Used			<b>VARIABLE EXPENSES - USED</b>	6/2	8020	Salaries-administrative
4/27	5130	Insurance Contract Income	4/40	7200	Comm & Incentive-Salesmen-Used	6/3	8040	Employee Benefits
		<b>ADJUST - USED</b>	4/41	7210	Comm & Incentive-Sls Mgr-Used	6/4	8100	Payroll Taxes
4/28	5140	Ext Serv Contract Income - Used	4/42	7460	Comm & Incentive-F&I Mgr-Used	6/5	8200	Pensions
4/29	5150	Ext. Serv Contract Income Adjust - Used	4/45	7230	Free Service-Used	6/5	8210	Annual Recognition (Non US)
4/30	5160	Other Merchandise - Used - Sales			<b>SEMI-FIXED EXPENSE - NEW</b>	6/6	8220	Institutional Advertising
4/30	6160	Other Merchandise - Used - COS	4/48	7070	Salaries-Salesmen-New	6/6	8240	Institutional Promotion
4/31	6170	Repossession Loss - Used	4/49	7080	Salaries-Sales Mgrs-New	6/7	8300	Rent & Lease Expense
4/31	6180	Repossession Refunds - Used	4/50	7100	Salaries-Other-New	6/7	8320	Interest-Mortgage
		<b>PARTS DEPARTMENT</b>	4/51	7400	Salaries-F&I-New	6/7	8340	Deprec Bldg & Improvements
5/1	5400 6400	Parts-Wholesale	4/52	7110	Advertising-New	6/7	8360	Amort of Leasehold Improvements
5/1	5401 6401	Parts-Wholesale Other Franchise Only	4/53	7120	Advertising-Refunds/Allow-New	6/7	8380	Insurance-Buildings
5/3	6410	Parts-Wholesale Job Incentive COS	4/54	7130	Promotion-New	6/7	8400	Taxes-Real Estate
5/3	6411	Parts-Wholesale Job Incent COS	4/55	7140	Training-New	6/7	8420	Maintenance-Buildings
		<b>Oth Fran Only</b>	4/56	7150	Demonstrator Expense-New	6/8	8500	Utilities
5/5	5420 6420	Parts-Counter Retail	4/57	7160	Service Loaner Expense-New	6/9	8520	Telephone
5/5	5421 6421	Parts-Counter Retail-Other	4/57	7170	Service Loaner Expense Refund-New	6/10	8540	Taxes-Excl Real Estate & Inc.
		<b>Franchise Only</b>	4/58	7420	Other F&I-New	6/11	8600	Insurance-Officers' Life
5/7	5430 6430	Parts-Repair Shop	4/59	7180	Interest-Floor Plan-New	6/11	8620	Ins-Excl Bldg & Employee
5/21	5431 6431	Parts-Repair Shop Other Franchise	4/60	7190	Floor Plan Interest Assistance-New	6/12	8640	Office Supplies
5/9	5440 6440	Parts-ESP Repair			<b>SEMI-FIXED EXPENSES - USED</b>	6/13	8660	Prof & Service Fees
5/21	5441 6441	Parts-ESP Repair Other Franchise	4/48	7270	Salaries-Salesmen-Used	6/14	8680	Data Processing
5/11	6450	Parts-Shop Job Incentive	4/49	7280	Salaries-Sales Mgrs-Used	6/15	8700	Bad Debts
5/21	6451	Parts-Shop Job Incentive Other	4/50	7300	Salaries-Other-Used	6/16	8720	Contributions
		<b>Franchise</b>	4/51	7450	Salaries-F & I-Used	6/17	8740	Interest-Excl Veh & Mortgage
5/12	5460 6460	Parts-W&P Claims-Serv	4/52	7310	Advertising-Used	6/18	8760	Depreciation-Equipment
5/21	5461 6461	Parts-W&P Claims-Serv Other	4/53	7320	Advertising-Refunds/Allow-Used	6/19	8780	Equip & Vehicle Maint-General
		<b>Franchise</b>	4/54	7330	Promotion-Used	6/20	8800	Travel & Entertainment
5/14	5470 6470	Parts-Internal-Serv	4/55	7340	Training-Used	6/21	8820	Miscellaneous Expense
5/21	5471 6471	Parts-Internal-Serv Other Franchise	4/56	7350	Demonstrator Expense-Used	6/24	8900	Dealer Salary
5/17	5480 6480	Parts-Sublet Repair	4/57	7360	Service Loaner Expense-Used			<b>ADJUSTMENTS TO INCOME</b>
5/19	5490 6490	Parts-Misc. Merchandise	4/57	7370	Service Loaner Expense			<b>ADDITIONS TO INCOME</b>
5/19	5491 6491	Parts-Industrial Engines			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			<b>PARTS DEPARTMENT EXPENSE</b>	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	5/46	7605	Comm & Incent-Mgr	2/19	9050	Tractor/Other Income
		<b>Other Franchise</b>	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	5/49	7630	Advertising			<b>BONUSES &amp; INCOME TAX</b>
		<b>Other Franchise</b>	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)
		<b>SERVICE DEPARTMENT</b>	5/54	7671	Freight			<b>ADJUSTMENTS TO INCOME - ADDITIONS</b>
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			<b>SERVICE DEPARTMENT EXPENSES</b>	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	5/48	7720	Comm & Incent-Other			<b>ADJUSTMENTS TO INCOME - DEDUCTIONS</b>
5/21	5731 6731	Service-Internal Other Franchise	5/49	7730	Advertising	2/23	9400	Cash Discounts
5/16	6740	Service-Unapplied Time COS	5/49	7731	Promotion	2/24	9450	Other Deductions
5/17	5750 6750	Service-Sublet Repair	5/50	7740	Training	2/24	9600	Monetary Adjustment (Non US)
5/19	5760 6760	Service-Other Merchandise	5/51	7750	Policy Adjustment			
5/33	5770 6770	Service-Repair Shop Materials	5/52	7760	Service Loaner Expense			
5/33	5780 6780	Service-Gas, Oil & Grease	5/52	7761	Service Loaner Expense Refund			
		<b>BODY SHOP DEPARTMENT</b>	5/53	7770	Tools & Supplies			
5/17	5800 6800	Body Shop -Sublet Repair	5/54	7771	Freight			
5/25	5810 6810	Body Shop-Labor-Metal	5/55	7780	Equip & Veh Maint			
5/35	5811 6811	Body Shop-Labor-Metal Other	5/56	7785	Inventory Control & Data Processing			
		<b>Franchise</b>	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>		
<b>Net Dealership Profit</b>				x,xxx		

Figure U7-2

## Unit 7. Introduction to Dealership Accounting

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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

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### 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

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### 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.

## Unit 7. Introduction to Dealership Accounting

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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.

# Unit 7. Introduction to Dealership Accounting

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			<b>102.00</b>
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					
								<b>102.00</b>	
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.

## Unit 7. Introduction to Dealership Accounting

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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.