

FINANCIAL MANAGEMENT CASE STUDY – Final Exam

You are the new General Manager of Bad News Bears Chevy. You are also new to the market! Your job begins at the start of the month and the **dealer has given you full control to make any necessary changes along with a twelve-month salary guarantee!** He has provided you with the YTD statement through month end, October 2018, to use as a guide to form a strategy for the coming year. In addition to the statement, you have been provided with other key financial information from the October financial statement of the dealership.

When making your evaluations, operate under the following assumptions:

- The dealership is in Raleigh-Durham, NC.
- The New & Used Car Sales Department hours are currently 10:00 am – 6:00 pm M-F, and 8:00 – 4:00 pm Saturday, and closed on Sunday.
- The Service & Parts Department hours are 8:00 am – 5:30 pm M-F, and 8:00 – noon Saturday and closed on Sunday.
- YTD F&I Income is \$573 Per New Vehicle Retail and \$624 Per Used Vehicle Retail
- Used Vehicle Cost of Sale includes all reconditioning expenses. Average time to front-line ready is 10 days.
- Service door rate is \$100/hour; Effective Labor Rate (Customer Pay) is \$85; Internal Labor Rate is \$75/hour; Warranty Rate is \$75/hour.
- DOC Fee is \$149.

Work through the calculations you learned this week and identify areas that require improvement. Your job **IS NOT** to regurgitate the results of your calculations. **Your team will present your plan of action on how to improve the operation of this store.**

NOTHING IS OFF LIMITS!

Your team has 10 minutes to present. What is your success plan? What will you do to improve the bottom line in new, used, parts and service departments? You are competing against your classmates. Be creative.

Vehicle Aging Schedule	1-30 Days	31-60 Days	61-90 Days	91+
New	41	52	51	66
Used	23	27	11	33

Parts Aging Schedule	1-3 Months	3-6 Months	6-9 Months	9-12 Months	12 Months +
	\$37,493	\$53,442	\$43,986	\$13,331	\$35,429

Parts, Service, and Body Shop Accounts Receivable Aging				
Current	31-60	61-90	91-120	120+
\$65,180	\$48,159	\$34,383	\$14,736	\$5,025

	<u>Total Operation</u>		<u>New</u>	<u>Used</u>	<u>Service</u>		<u>Parts</u>
Sales	23,053,657	100.0%	16,688,000	5,007,100	673,198	100.0%	685,359
GP w/o F&I			-30,464	160,227			
F&I			256,704	194,064			
Gross	1,189,330	5.2%	226,240	354,291	406,812	60.4%	201,987
			1.4%	7.1%			29.5%
Total Expenses	1,156,916	97.3%	343,467	335,329	318,241		159,879
Operating Profit	32,414	2.7%	-117,227	-51.8%	18,962	5.4%	88,571
							21.8%
Adds / Deducts	285,091						42,108
							20.8%
Net	<u>317,505</u>	1.4%					

Gross Profit Analysis – YTD

	<u>Service</u>		<u>Parts</u>	
Service Customer	<u>Sales</u>	<u>Gross</u>	<u>Sales</u>	<u>Gross</u>
Internal	336,598	211,383	269,279	96,939
Warranty	269,281	155,644	235,619	77,754
Counter Retail	67,319	39,966	47,123	13,194
Wholesale			15,514	3,025
	673,198	406,993	117,824	11,075
			685,359	201,987

Gross Profit Analysis - October

	<u>Service</u>		<u>Parts</u>	
Service Customer	<u>Sales</u>	<u>Gross</u>	<u>Sales</u>	<u>Gross</u>
Internal	38,708	23,805	30,967	11,148
Warranty	28,474	16,771	24,739	8,164
Counter Retail	6,462	3,813	4,524	1,267
Wholesale			1,491	298
			10,980	999

- Other Adds/Deducts include \$88,000 GM Sales Incentive (SFE), and is paid through August. Hit objective approximately 50% of the time.
- Other Adds/Deducts include \$77,000 Facility Incentive (EBE), and is paid through September.
- 10-bay shop with six (6) technicians, flagging 6 hours per shift, and an average of 22 days per month.
- Holdback Receivable is \$35,241
- Policy YTD (across all departments) is \$54,043

Other Information:

Bad News Bears Chevrolet

LN NO	CONTACT		SPO MA	GM Financial Analysis Capabilities Through Systems		FACTS 2.0		Information supplied by Dealer for use by GM and not intended for any other use. By providing a copy of this report GM disclaims responsibility for accuracy of data contained herein.		LN NO	
1										1	
2	DEALER "BAC" CODE									2	
3				DEALER NAME						3	
4	FROM	Jan-2018		ADDRESS						4	
5	THRU	Oct-2018		CITY & STATE						5	
6	ASSETS			NO.	AMOUNT	LIABILITIES			NO.	AMOUNT	6
7	C	CASH ON HAND		200	2,500	A	CASH IN BANK CREDIT BALANCE	202	0	7	
8	A	CASH IN BANK		202	337,592	C	ACCTS PAYABLE-TRADE CREDITORS	300	201,192	8	
9	S	CONTRACTS IN TRANSIT		205	203,680	U	ACC. RECEIVABLE CREDIT BAL.	220	0	9	
10	H	SECURITIES		260	0	C	CUSTOMER DEPOSITS	220	0	10	
11	C	PG 1 LINE 11 ASSETS UDF			0	R	WARRANTY CLAIMS ADVANCE	305	0	11	
12		TOTAL CASH AND CONTRACTS			543,772	E	NOTES PAYABLE-NEW VEH.&DEMOS	310	9,106,752	12	
13	U	NET CUSTOMER RECEIVABLES	FROM PG 7		167,483	N	*MEMO: DELAYED PAYMENT-ACCT. 310			13	
14	R	FACTORY RECEIVABLES		261	71,489	T	\$ -			14	
15	R	DUE FROM FINANCE COMPANIES		262	49,749		NOTES PAYABLE-USED VEHICLES	311	929,150	15	
16	C	WARRANTY CLAIMS		263	6,152		NOTES PAYABLE-LEASE & RENTAL UNITS	312	0	16	
17	R	INS. COMMISSIONS RECEIVABLE		264	0		NOTES PAYABLE-OTHER	314	0	17	
18		PG 1 LINE 18 ASSETS UDF			0		PG 1 LINE 18 LIABILITY UDF			18	
19	E	TOTAL RECEIVABLES			294,873	A	INTEREST PAYABLE	320	42,463	19	
20		DEMONSTRATORS		230	0	B	SALARIES, WAGES & COMM. PAYABLE	321	136,328	20	
21	N	NEW CARS		231	1,306,124	C	INSURANCE PAYABLE	322	0	21	
22	N	NEW TRUCKS		237	7,343,150	L	C PAYROLL TAXES PAYABLE	323	11,580	22	
23	T	NEW MD TRUCKS		235	0	I	SALES TAXES PAYABLE	324	4,928	23	
24	E	OTHER AUTOMOTIVE		238	0	U	OTHER TAXES PAYABLE	325	142	24	
25	N	USED CARS		240	379,792	E	INCOME TAXES PAYABLE	327	0	25	
26	T	USED TRUCKS		241	1,479,522	E	EMPLOYEE'S INCENTIVES/BONUSES PAYABLE	328	0	26	
27	A	PARTS AND ACCESSORIES		242	183,681	S	OWNER'S BONUSES PAYABLE	329	0	27	
28	R	TIRES		243	8,560		RETIREMENT FUND PAYABLE	330	2,726	28	
29	S	GAS, OIL AND GREASE		244	1,850		OTHER PAYABLES	331	0	29	
30	E	PAINT AND BODY SHOP MATERIALS		245			TOTAL CURRENT LIABILITIES		10,435,261	30	
31	S	SUBLET REPAIRS		246	50,489	L	OTHER RESERVES	332	0	31	
32		WORK IN PROCESS-LABOR		247	8,291	I	NOTES PAYABLE - CAPITAL LOANS	334	2,019,233	32	
33	E	OTHER		252	0	O	OTHER NOTES & CONTRACTS	336	0	33	
34		MISC. ASSETS RECEIVED IN TRADE		258	0	N	DEFERRED TAXES	333	0	34	
35	T	LIFO RESERVE	TOT LIFO		-1,594,872	G	TOTAL		2,019,233	35	
36		TOTAL INVENTORIES			9,166,587	L	OTHER NOTES - OWNERS	337	0	36	
37	S	PREPAID EXPENSES: TAXES		270	27,416	T	MORTGAGES PAYABLE-REAL ESTATE	335	0	37	
38	T	INSURANCE		271	13,875	E	NOTES PAYABLE - AFFILIATED COMPANIES	338	0	38	
39	H	OTHER		274	0	R	PG 1 LINE 41 LIABILITY UDF		0	39	
40		TOTAL CURRENT ASSETS			10,046,523	M	TOTAL LIABILITIES		12,454,494	40	
41	W	* DRIVER TRAINING VEHICLES		0	0	S	Corporation Type:			41	
42	K	* LEASE & RENTAL UNITS					ACTUAL	1,206,134		42	
43	G	* L & R ACCUMULATED DEP.	()				STANDARD	2,250,000		43	
44		TOTAL CURRENT AND WORKING ASSETS			10,046,523		LEVERAGE: LT Del	0.00		44	
45	FIXED ASSETS					PROFIT OR LOSS SUMMARY			Leverage Std: <= 1.00		45
46		ACCOUNT	COST	ACCUM DEP		TOT.	RTL	RTL	PROFIT/	NET WORTH	NO.
47	A	LAND	0		280	NEW	NEW	USED	LOSS	CAPL STOCK&	
48	U	BLDGS & IMP.	0	0	281/351	36	36	22	24,263	AD'L PD IN CAP	360
49	T	LEASE HOLDS	3,029,525	1,380,929	286/356	33	33	24	23,844	RET. EARNINGS	370
50	O	IT- HARDWARE	12,713	12,713	287/357	42	42	30	30,119	DIVIDENDS	375
51	L	IT - SOFTWARE	0	0	288/358	44	44	31	31,374	INVESTMENTS	380
52	B	M&S EQUIP	1,516,800	1,205,662	282/352	48	48	33	33,884		
53	U	P&A EQUIP	819,705	163,941	283/353	53	53	39	38,485		
54	S	FURN & FIXTRS	763,269	610,615	284/354	50	50	36	35,976		
55		CO. VEHICLES	641,350	511,984	285/355	55	55	37	38,485		
56		OTHER	0	0	289/359	45	45	31	31,792		
57		TOTALS	5,976,700	3,881,015		42	42	28	29,283		
58		*MEMO: CO VEHICLES - CARS	17			0	0	0	0	DRAWINGS	390
59	O	A LIFE INSURANCE-CASH VALUE			291					TOTAL BALANCE	0
60	T	S NOTES & ACCTN RECEIVABLE-OFFICERS			293					PROFIT OR LOSS	399
61	H	S NOTES & ACCOUNTS RECEIVABLE-OTHER			294					TOTAL NET WORTH	4,592,595
62	R	E OTHER INVESTMENTS & MISC. ASSETS			296					TOTAL LIABILITIES & NET WORTH	17,047,089
63	R	T PG 1 LINE 63 ASSETS UDF									
64	S	TOTAL OTHER ASSETS									
65		TOTAL ASSETS									