NADA ACADEMY

Fixed Operations 2 -

Financial Calculations and Formulas

Service

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	$ 61,795	$ 44,398	71.85%	46.42%
Customer Express	$ 12,535	$ 7,366	58.76%	9.42%
Customer Other	$ 9,636	$ 7,043	73.09%	7.24%
Warranty	$ 16,186	$ 11,776	72.75%	12.16%
Warranty Other			0%	0.00%
Internal	$ 29,253	$ 18,573	63.49%	21.97%
NVI / Road Ready/ PDI	$ 3,728	$ 2,949	79.10%	2.80%
Adj. Cost Of Labor		$ (2,165)	0%	0.00%
Total	$ 133,133	$ 89,940	67.56%	100.00%

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Customer Pay Gross Profit %	70.04%
Total Service Dept. G.P. %	67.56%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Car	$ 29,683	$ 61,795	0.48
Customer Truck	$ 29,683	$ 12,535	2.37
Customer Other	$ 4,267	$ 9,636	0.44
Warranty	$ 11,564	$ 16,186	0.71
Warranty Other		$ -	0.00
Internal	$ 9,496	$ 29,253	0.32
Total	$ 84,693	$ 129,405	0.65

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Customer Pay Gross Profit %	70.04%
Total Service Dept. G.P. %	67.56%
Parts / Labor Ratio (Cust. Pay Only)	0.76

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profits
Department Gross	$ 89,940		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	$ 54,159	60.22%	
Semi-Fixed Expense	$ 26,781	29.78%	
Fixed Expense	$ 11,444	12.72%	
Unallocated Expense		0.00%	
Dealer's Salary	$ 1,751	1.95%	
Total Expenses	$ 94,135	104.66%	
Net Profit	$ (4,195)	-4.66%	

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Customer Pay Gross Profit %	70.04%
Total Service Dept. G.P. %	67.56%
Parts / Labor Ratio (Cust. Pay Only)	0.76
Total Service Dept. Expenses	$ 94,135

Fixed Absorption

		% Adj. Ovhd Exp
Parts Department Total Gross	$ 44,078	14.98%
Service Department Total Gross	$ 92,105	31.30%
Body Shop Department Total Gross		0.00%
Total Fixed Gross Profit	$ 136,183	
Total Dealership Expense	$ 294,312	

Overhead Expense	$ 294,312
Total Fixed Gross Profit	$ 136,183
Total Dealership Expense	$ 294,312
Fixed Absorption Percentage	46.27%

Guideline 60%

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Customer Pay Gross Profit %	70.04%
Total Service Dept. G.P. %	67.56%
Parts / Labor Ratio (Cust. Pay Only)	0.76
Total Service Dept. Expenses	$ 94,135

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Effective Labor Rates		Hours Billed
Customer Car*	$ 61,795	÷	85.70	=	721.1
Customer Truck*		÷	85.70	=	0.0
Customer Other*	$ 12,535	÷	85.70	=	146.3
Warranty	$ 16,186	÷	100.52	=	161.0
Internal	$ 29,253	÷	85.70	=	341.3
New Vehicle Prep	$ 3,728	÷	100.19	=	37.2
Total	$ 123,497				1406.9

POTENTIAL

$ 123,497	÷	1406.90	=	$ 87.78			
Total labor sales for month		Total hours billed		Effective Labor Rate			
10.00	x	8	x	20	=	1,600.0	
# Service mechanical technicians		# Hours/Day		Working Days/Month		Clock Hour Aval	
1,600.0	x	$ 87.78	=	$ 140,447		$ 175,558.81	
Clock Hours Available		Effective Labor Rate		Labor sales potential @100%		Labor sales potential @ 125%	

How proficient are your technicians ?

1,406.9	÷	1,600.00	=	87.93%
Total Hours Billed		Hours Available		Tech Proficiency

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Hours Per RO (Recap Sheet)	2.2
Percent of One Item R.O.'s (Recap Sheet)	38.00%
Customer Pay Effective Labor Rate (Recap Sheet)	$ 85.67
Warranty Labor Rate (Recap Sheet)	$ 100.52
Total Overall Effective Labor Rate	$ 87.78
Overall Technician Proficiency	87.93%

FACILITY POTENTIAL

Number of Bays	17	
	x	
Number of Days	20	
	x	
Number of Hours	8	
	x	
Effective Labor Rate	$ 87.78	
	equals	
FACILITY POTENTIAL		$ 238,760

FACILITY UTILIZATION

Total Labor Sales	$ 133,133	
	÷	
Facility Potential	$ 238,760	
	equals	
FACILITY UTILIZATION		55.76%

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NADA "QUICK" SERVICE ANALYSIS

$ 133,133	Labor Sales
	Divided by Hours Billed
0.00	= OELR

$ 133,133	Labor Sales
	-Labor Gross
$ 133,133	=Labor Cost

$ 133,133	Labor Cost
0.00	/ Hours Billed
$0.00	=Real Cost

	Real Cost	÷	26.00%	= $0.00 E.L.R. Needed to earn 74%

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OWNER BASE POTENTIAL

	x		=	0.0	
5 Year Owner Base		Annual Hours Purchased		Market Potential / Hours	
0.0	x	0.00	=	$ -	
Market Potentail/ Hours		Effective Labor Rate		5 Yr. O.B Sales Potential	
	x		=	$ -	
Avg. Mos. Labor Sales (excluding internal, PDI and NVI)		Annualized		Current Labor Sales Trend	
$ -	÷	$ -	=	0.00%	
Labor Sales Trend		5 Yr. O.B. Sales Potential		Ouch	

**Note: The industry average of 35% is very poor performance.*

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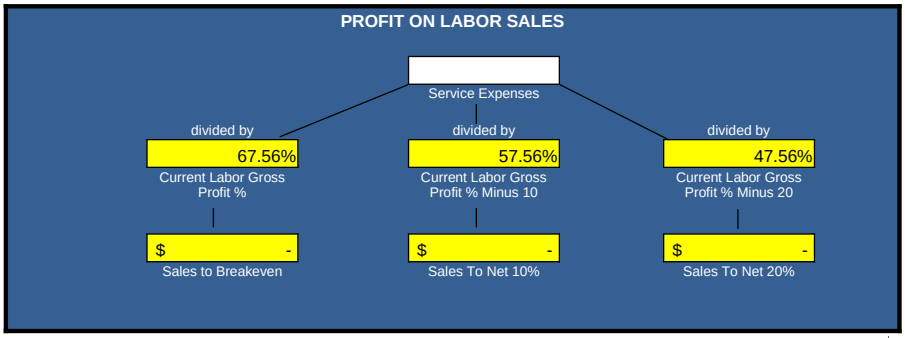

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Customer Pay Gross Profit %	70.04%	Customer Pay E.L.R.	$ 85.67
Total Service Dept. G.P.%	67.56%	Total (overall) E.L.R.	$ 87.78
Parts / Labor Ratio (Cust Pay Only)	0.76	Warranty Labor Rate	$ 100.52
Total Service Dept Expense	$ 94,135	Overall Tech Proficiency	87.93%
Hours Per R.O (recap)	2.20		
Percent Of One Item R.O.'s	38.00%		

Technician Value

Calculate using daily available hours per technician

Hours		Days		Labor Rate		Sales Value
	x		x	$ 87.78	=	$ -

Sales Value		Gross Margin		Profit Value
$ -	x	67.56%	=	$ -

Profit Value		Your #		Adjusted Profit Value
$ -	x	70%		$ -
$ -	x	80%		$ -
$ -	x	90%	proficiency	$ -
$ -	x	100%		$ -
$ -	x	110%		$ -
$ -	x	120%		$ -
$ -	x	0.0%	=	$ -

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STAFFING REQUIREMENTS

A. Sales To Break Even

Service Expenses for One Month	÷	Current Gross Profit Percent	=	Sales To Break Even
	÷	67.56%	=	$ -

B. Sales To Generate 20% Net

Service Expenses for One Month	÷	Current Gross Profit Percent (Minus 20)	=	Sales To Generate 20% Net
$ -	÷	47.56%	=	$ -

C. Technician Value

Daily Work Hours	X	Average Proficiency Rate	X	Overall Effective Labor Rate	X	Work Days Per Month	=	Technician Value
0		80%		$ 87.78		0		$0
0		90%		$ 87.78		0		$0
0		100%		$ 87.78		0		$0
0		120%		$ 87.78		0		$0

D. Staffing To Break Even

Sales To Break Even	÷	Technician Value		=	Staffing
$ -	÷	0	@ 80%	=	0.0
$ -	÷	0	@ 90%	=	0.0
$ -	÷	0	@ 100%	=	0.0
$ -	÷	0	@ 120%	=	0.0

E. Staffing To Generate 20% Net

Sales To Generate 20% Net	÷	Technician Value		=	Staffing
$ -	÷	$ -	@ 80%	=	0.0
$ -	÷	$ -	@ 90%	=	0.0
$ -	÷	$ -	@ 100%	=	0.0
$ -	÷	$ -	@ 120%	=	0.0

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Service Advisor Performance

How To Set Advisor Sales Objectives To: Beak Even, Net 10%, & Net 20%

Break Even

1	Service Department's Monthly Expenses	
	÷	
2	Divide by current labor gross profit % to break even	67.56%
	=	
3	Equals New Sales Objective	$ -
	÷	
4	Number of Advisors	
	=	
5	Equals Sales Objective per Advisor	$0.00
	÷	
6	Number of work days per month	
	=	
7	Equals daily sales objective per advisor	$0.00
	÷	
8	Current overall effective labor rate	$ 87.78
	=	
9	Equals daily sales objective per advisor (FRH's)	0.0

Net 10 %

1	Service Department's Monthly Expenses	$0
	÷	
2	Divide by current labor gross profit % minus 10 to net 10%	57.56%
	=	
3	Equals New Sales Objective	$ -
	÷	
4	Number of Advisors	0.0
	=	
5	Equals Sales Objective per Advisor	$0.00
	÷	
6	Number of work days per month	0
	=	
7	Equals daily sales objective per advisor	$0.00
	÷	
8	Current overall effective labor rate	$ 87.78
	=	
9	Equals daily sales objective per advisor (FRH's)	0.0

Net 20 %

1	Service Department's Monthly Expenses	$0
	÷	
2	Divide by current labor gross profit % minus 20 to net 20%	47.56%
	=	
3	Equals New Sales Objective	$ -
	÷	
4	Number of Advisors	0.0
	=	
5	Equals Sales Objective per Advisor	$0.00
	÷	
6	Number of work days per month	0
	=	
7	Equals daily sales objective per advisor	$0.00
	÷	
8	Current overall effective labor rate	$ 87.78
	=	
9	Equals daily sales objective per advisor (FRH's)	0.0

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Exercise to See What Happens When You Increase Your Hours Per Repair Order

Number of customer R.O.'s for the month			
	x		
Multiply by .3 hours			0.3 hours
Additional customer labor hours generated	=		0.00
	x		
Multiply by Customer Labor Rate			$ 85.67
Equals additional Customer Labor Sales Generated	=		$ -
	x		
Multiply by customer Labor Gross Profit %			70.04%
Equals additional Labor Gross Profit $ generated	=	(A)	$ -
Divide Parts Sales R.O. by Labor Sales R.O. to calculate $ parts sales per 1$ of Labor Sales	=		0.76
	x		
Multiply by Customer Labor Sales			$ -
	=		
Equals additional Customer Parts Sales generated			$ -
	x		
Multiply by Customer Parts Sales Gross Profit %			
Equals additional Parts Gross Profit $ Generated	=	(B)	$ -
Add Gross Profit from Labor (A) and Parts (B)	=		$ -

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Labor Rate Calculations

1 Calculate the **Labor Rate** for the following operation.

A/C Charge and Check

Labor Price		$144.00
Units		1.2
Price	÷ Units	= $0.00 Labor Rate

2 Calculate the **Effective Labor Rate** for the following "Repair" operations.

Labor Operations	Labor Price		Labor Units		Labor Rate
Clean Fuel Injectors	$ 117.60	÷	1.20	=	
R&R Rear Hub Bearing.	$ 96.00	÷	0.80	=	
Replace Trans. Pan gasket	$ 107.80	÷	1.10	=	
R&R Headlight unit (1)	$ 108.00	÷	0.90	=	
Total Price		Total Units			
Total Price		÷ Total Units		=	$0.00 Effective Labor Rate

(For This R.O.)

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Calculating Mark-Up

3 Using the following formula, mark-up a part costing $6.72 to attain a 35% gross profit (round to the nearest cent)

100%			=	0.00		
100%		Desired Gross Profit percent		Mark-Up Factor		
	X	0.00	=	$0.00		
Part Cost		Mark-Up Factor		Retail Price		

4 Calculate the "Weighted Average" price at a 40% Gross Profit for the following parts (round to the nearest cent)

Item	Cost		Annual Turnover		Total Cost
Filter #1	$4.36	X	112	=	
Filter #2	$4.01	X	56	=	
Filter #3	$3.56	X	85	=	
Filter #4	$3.86	X	202	=	
Filter #5	$3.51	X	36	=	
	Total Items		491	Total Cost	$0.00

$ -	÷ 491	=	$ -	
Total Cost	Total Items		Weighted Average **Cost**	
$ -	X	=	$ -	
Weighted Average Cost	Mark-Up Factor		Weighted Average **Price**	

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Cost Of A Come-Back

Lost Customers			
Average Hours per R.O.	X		
	=	0.0	
Effective Labor Rate	X	$ 87.78	
	=	$ -	(A) Service Labor Sales
Service Department Gross Profit % (Excluding Sublet)	X	67.56%	
	=	$ -	(B) Service Labor Gross
Service Labor Sales (A)		$ -	
Parts / Labor Ratio	X	0.48	
	=	$ -	
Parts Dept Gross Profit % R.O.Sales	X		
	=	$ -	(C) Service Parts Gross
(B) Service Labor Gross		$ -	
(C) Service Parts Gross	+	$ -	
Lost Gross	=	$ -	

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