NADA ACADEMY

Financial Calculations and Formulas

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	$ 36,237	$ 27,722	76.50%	42.11%
Customer Express	$ 1,590	$ 1,211	76.16%	1.85%
Customer Other			0%	0.00%
Warranty	$ 14,044	$ 11,794	83.98%	16.32%
Warranty Other			0%	0.00%
Internal	$ 34,191	$ 23,719	69.37%	39.73%
NVI / Road Ready/ PDI			0%	0.00%
Adj. Cost Of Labor		$ (8,554)	0%	0.00%
Total	$ 86,062	$ 55,892	64.94%	100.00%

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Customer Pay Gross Profit %	76.49%
Total Service Dept. G.P. %	64.94%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Car	$ 41,186	$ 36,237	1.14
Customer Express	$ 1,934	$ 1,590	1.22
Customer Other		$ -	0.00
Warranty	$ 23,693	$ 14,044	1.69
Warranty Other		$ -	0.00
Internal	$ 15,098	$ 34,191	0.44
Total	$ 81,911	$ 86,062	0.95

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Customer Pay Gross Profit %	76.49%
Total Service Dept. G.P. %	64.94%
Parts / Labor Ratio (Cust. Pay Only)	1.14

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 55,892		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	$ 45,961	82.23%	
Semi-Fixed Expense	$ 28,141	50.35%	
Fixed Expense	$ 8,468	15.15%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	$ 82,570	147.73%	
Net Profit	$ (26,678)	-47.73%	

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Customer Pay Gross Profit %	76.49%
Total Service Dept. G.P. %	64.94%
Parts / Labor Ratio (Cust. Pay Only)	1.14
Total Service Dept. Expenses	$ 82,570

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xed Absorption

		% Adj Ovhd Exp
Parts Department Total Gross	$ 30,368	10.20%
Service Department Total Gross	$ 55,892	18.77%
Body Shop Department Total Gross	$ -	0.00%
Total Fixed Gross Profit	$ 86,260	
Total Dealership Expense	$ 297,773	

Overhead Expense	$ 297,773	
Total Fixed Gross Profit	$ 86,260	
Total Dealership Expense	$ 297,773	
Fixed Absorption Percentage	28.97%	
		Guideline 60%

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Customer Pay Gross Profit %	76.49%
Total Service Dept. G.P. %	64.94%

Parts / Labor Ratio (Cust. Pay Only)	1.14
Total Service Dept. Expenses	$ 82,570

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Effective Labor Rates	
Customer Car*	$ 36,237	÷	120.00	=
Customer Express*	$ 1,590	÷	120.00	=
Customer Other*	$ -	÷		=
Warranty	$ 14,044	÷	105.00	=
Internal	$ 34,191	÷	120.00	=
New Vehicle Prep	$ -	÷		=
Total	$ 86,062			

POTENTIAL

$ 86,062	÷	733.90	=	
Total labor sales for month		Total hours billed		
10.00	x	9	x	
# Service mechanical technicians		# Hours/Day		
2,160.0	x	$ 117.27	=	
Clock Hours Available		Effective Labor Rate		

How proficient are your technicians ?

733.9	÷	2,160.00	=
Total Hours Billed		Hours Available	

Hours Per RO (RO Analysis)	3.3
Percent of One Item R.O.'s (RO Analysis)	0.00%
Customer Pay Effective Labor Rate (DMS Reoprt)	$ 120.00
Warranty Labor Rate (DMS Report)	$ 105.00
Total Overall Effective Labor Rate	$ 117.27
Overall Technician Proficiency	33.98%

Hours Billed
302.0
13.3
0.00
133.8
284.9
0.00
733.9

$ 117.27
Effective Labor Rate

24 = 2,160.0
Working Days/Month — Clock Hour Aval

$ 253,295 — Labor sales potential @100%

$ 316,618.95 — Labor sales potential @ 125%

33.98%
Tech Proficiency

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FACILITY POTENTIAL

Number of Bays	
x	
Number of Days	
x	
Number of Hours	
x	
Effective Labor Rate	$ 117.27
equals	
FACILITY POTENTIAL	$ -

FACILITY UTILIZATION

Total Labor Sales	$ 86,062
÷	
Facility Potential	$ -
equals	
FACILITY UTILIZATION	0.00%

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NADA "QUICK" SERVICE ANALYSIS

$ 86,062
Labor Sales

Divided by Hours Billed

0.00
= OELR

$ 86,062
Labor Cost

0.00
/ Hours Billed

$0.00
=Real Cost

Real Cost ÷ 24.00% =

$ 86,062
Labor Sales

-Labor Gross

$ 86,062
=Labor Cost

$0.00
E.L.R. Needed to earn

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OWNER BASE POTENTIAL

	x	8	=	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	12	=	$ -
Avg. Mos. Labor Sales		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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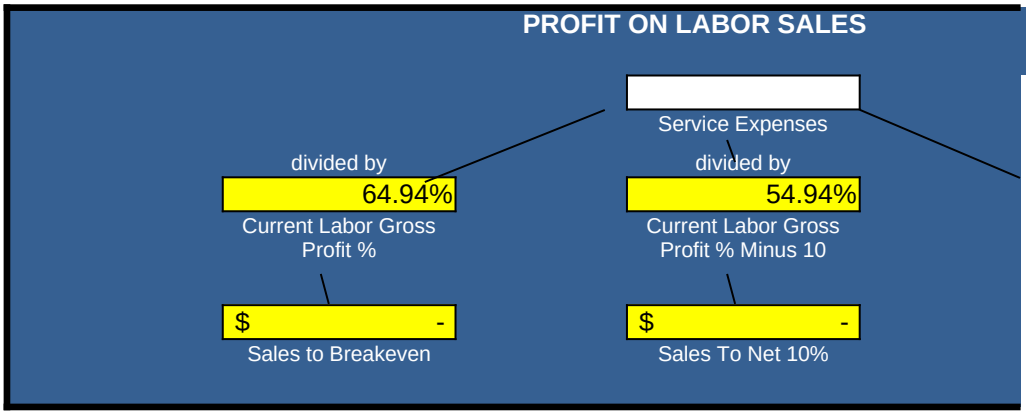
PROFIT ON LABOR SALES



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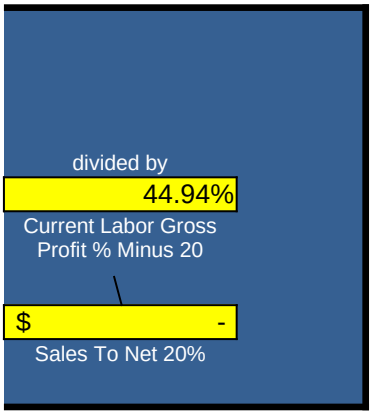
Customer Pay Gross Profit %	76.49%	Customer Pay
Total Service Dept. G.P.%	64.94%	Total (overall
Parts / Labor Ratio (Cust Pay Only)	1.14	Warranty Lab
Total Service Dept Expense	$ 82,570	Overall Tech
Hours Per R.O (recap)	3.30	
Percent Of One Item R.O.'s	0.00%	



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/ E.L.R.	$ 120.00
) E.L.R.	$ 117.27
›or Rate	$ 105.00
Proficiency	33.98%

Technician Value

Calculate using daily available hours per technician

Hours		Days	
	x		x

Sales Value		Gross Margin	
$ -	x	64.94%	=

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

Labor Rate		Sales Value
$ 117.27	=	$ -

Profit Value

$ -

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STAFFING REQUIREMENTS

A. Sales To Break Even

Service Expenses for One Month		Current Gross Profit Percent	
	¸	64.94%	=

B. Sales To Generate 20% Net

Service Expenses for One Month		Current Gross Profit Percent (Minus 20)	
$ -	¸	44.94%	=

C. Technician Value

Daily Work Hours	X	Average Proficiency Rate	X	Overall Effective Labor Rate	X
0		80%		$ 117.27	
0		90%		$ 117.27	
0		100%		$ 117.27	
0		120%		$ 117.27	

D. Staffing To Break Even

Sales To Break Even		Technician Value
	¸	

$ -	,	0	@ 80%
$ -	,	0	@ 90%
$ -	,	0	@ 100%
$ -	,	0	@ 120%

E. Staffing To Generate 20% Net

Sales To Generate 20% Net		Technician Value	
$ -	,	$ -	@ 80%
$ -	,	$ -	@ 90%
$ -	,	$ -	@ 100%
$ -	,	$ -	@ 120%

Sales To Break Even

$ -

Sales To Generate 20% Net

$ -

Work Days Per Month	=	Technician Value
0		$0
0		$0
0		$0
0		$0

= Staffing

=	0.0
=	0.0
=	0.0
=	0.0

=	Staffing
=	0.0
=	0.0
=	0.0
=	0.0

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How To Set Advisor Sales Objectives To: Beak Even, N

Break Even

1	Service Department's Monthly Expenses	
2	Divide by current labor gross profit % to break even	64.94%
	=	
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	$ 117.27
	=	
9	Equals daily sales objective per advisor (FRH's)	0.0

Service Advisor Performance

let 10%, & Net 20%

Net 10 %

1 Service Department's Monthly Expenses		$0
	÷	
2 Divide by current labor gross profit % minus 10 to net 10%		54.94%
	=	
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		$ 117.27
	=	
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%	44.94%
	=	
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	$ 117.27
	=	
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			$ 120.00
Equals additional Customer Labor Sales Generated	=		$ -
	x		
Multiply by customer Labor Gross Profit %			76.49%
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	=		1.14
	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 Calcul

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

A/C Charge and Check

Labor Price	$144.00
Units	1.2

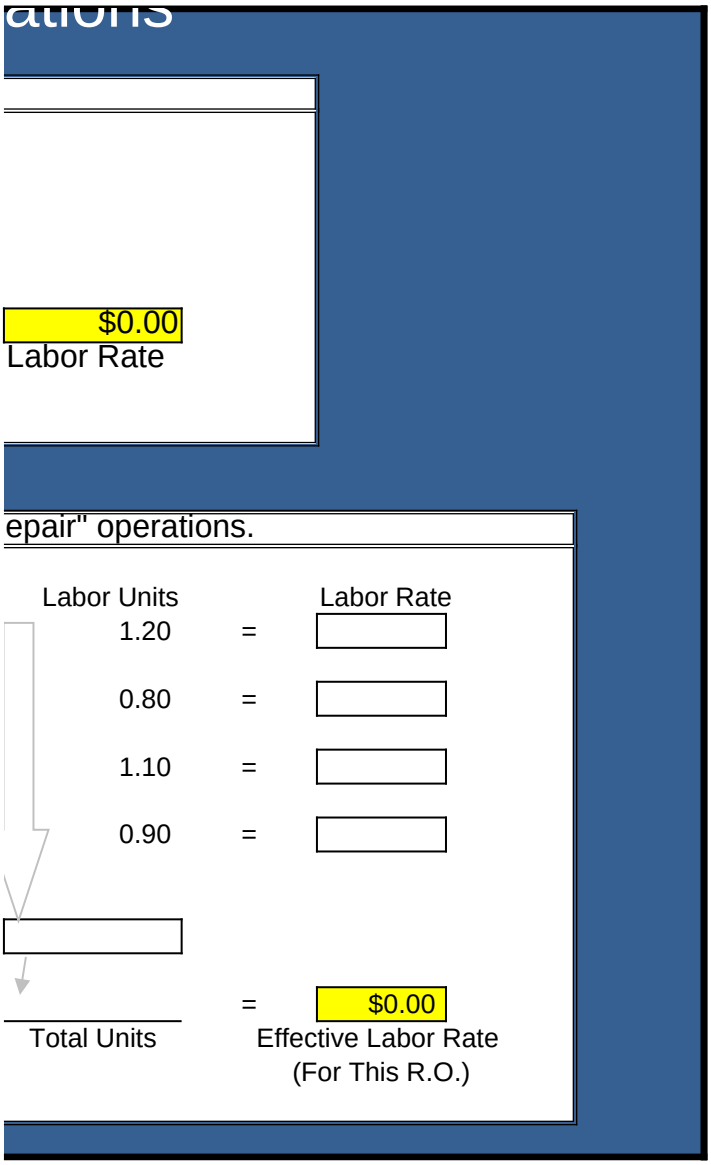
Price ÷ Units =

2 Calculate the **Effective Labor Rate** for the following "R

Labor Operations	Labor Price	
Clean Fuel Injectors	$	117.60
R&R Rear Hub Bearing.	$	96.00
Replace Trans. Pan gasket	$	107.80
R&R Headlight unit (1)	$	108.00

Total Price ÷ Total Units

Total Price


ations
$0.00
Labor Rate
epair" operations.
Labor Units
Labor Rate
1.20 =
0.80 =
1.10 =
0.90 =
=
$0.00
Total Units
Effective Labor Rate
(For This R.O.)

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Calculating Mark-Up

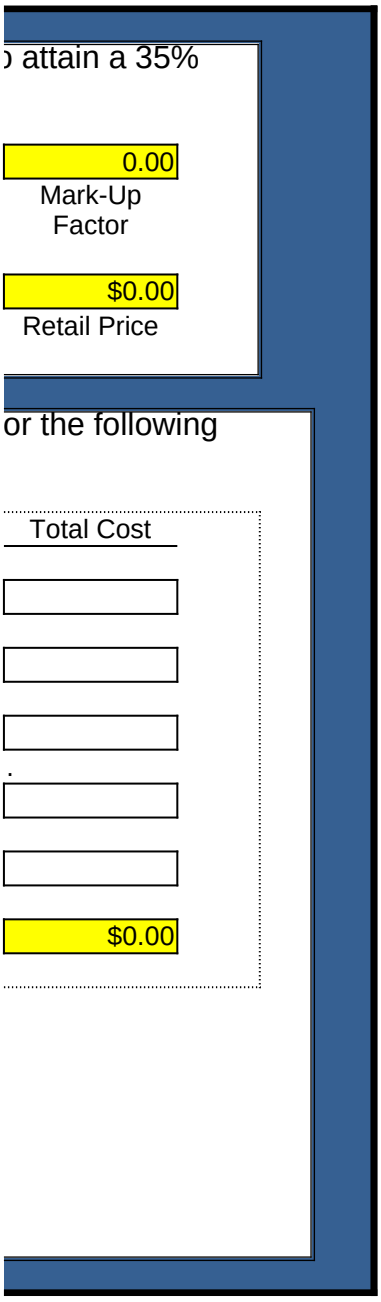
3 Using the following formula, mark-up a part costing $6.72 to gross profit (round to the nearest cent)

100%	⇨		=	
100%		Desired Gross Profit percent		
Part Cost	X	0.00	=	
		Mark-Up Factor		

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

Item	Cost		Annual Turnover	
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

$ -	¸	491	=	$ -
Total Cost		Total Items		Average **Cost**
$ -	X		=	$ -
Cost		Factor		Average **Price**


attain a 35%
0.00
Mark-Up
Factor
$0.00
Retail Price
or the following
Total Cost
$0.00

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Cost Of A Come-Back

Lost Customers			
Average Hours per R.O.	X		
	=	0.0	
Effective Labor Rate	X	$ 117.27	
	=	$ -	(A) Service Labor Sales
Service Department Gross Profit % (Excluding Sublet)	X	64.94%	
	=	$ -	(B) Service Labor Gross
Service Labor Sales (A)		$ -	
Parts / Labor Ratio	X	1.14	
	=	$ -	
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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