

## T ACCOUNTS

CASH	
800,000	Beg Bal
<i>2000</i> 0	
<i>7000</i> 0	
<i>1500</i> 0	
<i>1500</i> 0	
<i>0500</i> 0	
<i>3350</i> 0	
<i>1500</i> 0	
<i>0500</i> 0	
<u>800,000</u>	End Bal

CIT	
150,000	Beg Bal
<i>3000</i> 0	
<u>150,000</u>	End Bal

PAID IN CAPITAL	
Beg Bal	1,000,000
End Bal	<u>1,000,000</u>

RETAINED EARNINGS	
Beg Bal	262,500
End Bal	<u>262,500</u>

A/R INCENTIVES	
15,000	Beg Bal
<del><i>15000</i></del>	
<u>15,000</u>	End Bal

SALES NEW	
Beg Bal	500,000
End Bal	<u>500,000</u>

SALES PRE-OWNED	
Beg Bal	500,000
End Bal	<u>500,000</u>

A/R P,S,BS	
30,000	Beg Bal
<i>0500</i> 0	
<u>30,000</u>	End Bal

INVENTORY PRE OWNED	
400,000	Beg Bal
<u>400,000</u>	End Bal

COS NEW	
475,000	Beg Bal
0	
<u>475,000</u>	End Bal

COS PRE-OWNED	
450,000	Beg Bal
End Bal	<u>450,000</u>

INVENTORY NEW	
1,650,000	Beg Bal
0	
<u>1,650,000</u>	End Bal

A/P TRADE	
Beg Bal	35,000
<i>1500</i>	
End Bal	<u>35,000</u>

SALES COMPENSATION	
0	Beg Bal
0	
0	End Bal

FLOORPLAN INTEREST EXP	
0	Beg Bal
<i>1000</i> 0	
0	End Bal

COMPUTER EQUIPMENT	
2,500	Beg Bal
0	
<u>2,500</u>	End Bal

ST PORTION OF LTD	
Beg Bal	0
<i>9200</i>	
End Bal	<u>9200</u>

ADVERTISING EXP	
0	Beg Bal
<i>900</i> 0	
0	End Bal

RENT EXP	
0	Beg Bal
<i>600</i> 0	
0	End Bal

NOTES PAYABLE - NEW	
Beg Bal	1,675,000
0	
End Bal	<u>1,675,000</u>

LTD - NOTES PAYABLE	
Beg Bal	0
<i>408000</i>	
0	End Bal
<u>408000</u>	

OTHER INTEREST EXP	
0	Beg Bal
0	
0	End Bal

OTHER INCOME	
Beg Bal	0
End Bal	0

Cash goes up, other income goes up.

5	Notes Payable - Long Term Debt	2710		7541 0	
	Other Interest Expense	7030		1667 0	
	Cash		1010		9208 0

At the end of the month it is time to make the first loan payment on the working capital loan. The payment amounts are \$7,541 (DR) principal, \$1,667 (DR) interest. Total cash out the door is \$9,208 (CR). Notice you reduced the long term debt, not the current portion. That is because until you have less than 12 future payments there will always be 12 months in the current portion. Notes Payable goes down, Interest Expense goes up, Cash goes down.

6	Computer Equipment	1510		15000 0	
	Accounts Payable - Trade		2110		15000 0

The service department purchases 10 iPads for technicians to use and communicate with customers. These assets will be capitalized (not immediately expensed). The invoice will be paid 30 days after delivery. Total expenditure is \$15,000 (DR & CR). Fixed Assets go up, Accounts Payable goes up.

7	Cash	1010		8500 0	
	Accounts Receivable - Parts, Service, Body Shop		1210		8500 0

Jake's Body Shop pays invoice #1235 due for parts purchased last month. The total is \$8,500 (DR & CR). Cash goes up, A/R goes down.

8	Payroll Expense	6010		15000 0	
	Floorplan Interest Expense	6210		1000 0	
	Advertising Expense	6220		9000 0	
	Rent Expense	7020		6000 0	
	Cash		1010		31000 0

For illustration purposes, all these expenses happen on the same day, cash is leaving the building for various reasons. Payroll \$15,000 (DR), Floorplan Interest \$1,000 (DR) Advertising \$9,000 (DR) and Rent \$6,000 (DR). Total checks written \$31,000 (CR) All Expenses go up, Cash goes down.

0 0

Account Name

DR	CR	Account #	DR	CR
1	Cash	1010	500,000	
	Current Portion of Long Term Debt	2150		92,000
	Notes Payable - Long Term Debt	2710		408,000

The dealer is planning some capital improvements in the service department.  
 Start of the month, take out a 5 year working capital loan for \$500,000 (DR) increases cash.  
 The next 12 payments (the current portion of the loan) total \$92,000(CR).  
 The 48 payments (\$408,000 CR) after that are considered long term (months 13 to 60)  
 Cash goes up, current and long-term loans go up.

2	Cash	1010	2,000	
	Contracts in Transit	1110	30,000	
	A/R Incentives	1220	1,500	
	Sales - New Vehicle	4010		33,500
	Cost of Sales - New Vehicle	5010	32,100	
	Inventory - New Vehicle	1310		32,100

You sell a new vehicle for \$33,500 (CR). The customer puts \$2,000 (DR) cash down and applies \$1,500 (DR) factory incentive to the deal. The balance, \$30,000 (DR) is financed through the F&I Office. The vehicle cost is \$32,100 (DR & CR)  
 Note: Two parts to the transaction; revenue recognition and inventory reduction.  
 Revenue: Cash goes up (down payment), CIT goes up, A/R Receivable goes up, revenue goes up  
 Inventory: Cost of sale goes up, inventory goes down.  
 The gross profit on the deal is the sale price less the cost of sale (inventory cost).

3	Cash	1010	30,000	
	Contracts in Transit	1110		30,000
	Notes Payable - New (Floorplan)	2130	32,100	
	Cash	1010		32,100

Three days later the deal is funded and you receive the \$30,000 (DR & CR) in your checking account due on the CIT.  
 You immediately pay the floorplan amount of \$32,100 (DR & CR) on that vehicle to remain in Trust  
 Cash goes up, CIT goes down, Floorplan goes down, Cash goes down.

4	Cash	1010	20,000	
	Other Income	8000		20,000

The dealer receives \$20,000 (DR & CR) from their OEM. This is an incentive tied to their overall facility compliance standard. The dealer elects to recognize this payment "below the line" in other income as it does not directly tie to a specific department.