Finance Operations 2 -

Financial Calculations and Formulas

Reiselman Nissan
~~**Dealership**~~
Dustin Smith
~~**Student**~~
388 (Class 3)
~~**Class #**~~

· Service

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Pay	$ 85,311	$ 59,995	70.33%	57.09%
Customer			0%	0.00%
Customer Other			0%	0.00%
Warranty	$ 29,858	$ 23,820	79.78%	19.98%
Warranty Other			0%	0.00%
Internal	$ 34,255	$ 27,332	79.79%	22.92%
NVI / Road Ready/ PDI			0%	0.00%
Adj. Cost Of Labor			0%	0.00%
Total	$ 149,424	$ 111,147	74.38%	100.00%

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Customer Pay Gross Profit %	70.33%
Total Service Dept. G.P. %	74.38%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Pay	$ 83,177	$ 85,311	0.97
Customer	-	$ -	0.00
Customer Other	-	$ -	0.00
Warranty	$ 21,287	$ 29,858	0.71
Warranty Other	-	$ -	0.00
Internal	$ 21,765	$ 34,255	0.64
Total	$ 126,229	$ 149,424	0.84

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Customer Pay Gross Profit %	70.33%
Total Service Dept. G.P. %	74.38%
Parts / Labor Ratio (Cust. Pay Only)	0.97

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 111,147		
Variable Expense	$ 16,666	14.99%	
Selling Expense		0.00%	
Personnel Expense	$ 74,447	66.98%	
Semi-Fixed Expense	$ 21,951	19.75%	
Fixed Expense	$ 22,100	19.88%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	$ 135,154	121.60%	
Net Profit	$ (24,007)	-21.60%	

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Customer Pay Gross Profit %	70.33%
Total Service Dept. G.P. %	74.38%
Parts / Labor Ratio (Cust. Pay Only)	0.97
Total Service Dept. Expenses	$ 135,154

Fixed Absorption

		% Adj Ovhd Exp
Parts Department Total Gross	$ 60,183	12.72%
Service Department Total Gross	$ 121,247	25.63%
Body Shop Department Total Gross		0.00%
Total Fixed Gross Profit	$ 181,430	
Total Dealership Expense	$ 473,081	

Overhead Expense	$ 473,081
Total Fixed Gross Profit	$ 181,430
Total Dealership Expense	$ 473,081
Fixed Absorption Percentage	38.35%

Guideline 60%

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Customer Pay Gross Profit %	70.33%
Total Service Dept. G.P. %	74.38%
Parts / Labor Ratio (Cust. Pay Only)	0.97
Total Service Dept. Expenses	$ 135,164

NADA ACTUAL SERVICE ANALYSIS

	Labor Sales / Month		Effective Labor Rates		Hours Billed
Customer Pay	$ 85,311	÷	86.85	=	982.3
Customer	$ -	÷		=	0.00
Customer Other	$ -	÷		=	0.00
Warranty	$ 29,858	÷	123.60	=	241.6
Internal	$ 34,255	÷	98.56	=	347.6
New Vehicle Prep	$ -	÷		=	0.00
Total	$ 149,424				1571.4

POTENTIAL

$ 149,424	÷	1571.40	=	$ 95.09			
Total labor sales for month		Total hours billed		Effective Labor Rate			
8.00	x	8	x	22	=	1,408.0	
# Service mechanical technicians		# Hours/Day		Working Days/Month		Hours Available to Sell	
1,408.0	x	$ 95.09	=	$ 133,886		$ 167,357.48	
Hours Available to Sell		Effective Labor Rate		Labor sales potential @100%		Labor sales potential @ 125%	

How proficient are your technicians ?

1,571.4	÷	1,408.00	=	111.61%
Total Hours Billed		Hours Available to Sell		Tech Proficiency

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Hours Per RO (RO Analysis)	4.9
Percent of One Item R.O.'s (RO Analysis)	48.00%
Customer Pay Effective Labor Rate (DMS Reoprt)	$ 86.85
Warranty Labor Rate (DMS Report)	$ 123.60
Total Overall Effective Labor Rate	$ 95.09
Overall Technician Proficiency	111.61%

FACILITY POTENTIAL

Number of Bays		
	x	
Number of Days		
	x	
Number of Hours		
	x	
Effective Labor Rate	$ 95.09	
	equals	
FACILITY POTENTIAL		$ -

FACILITY UTILIZATION

Total Labor Sales	$ 149,424	
	÷	
Facility Potential	$ -	
	equals	
FACILITY UTILIZATION		0.00%

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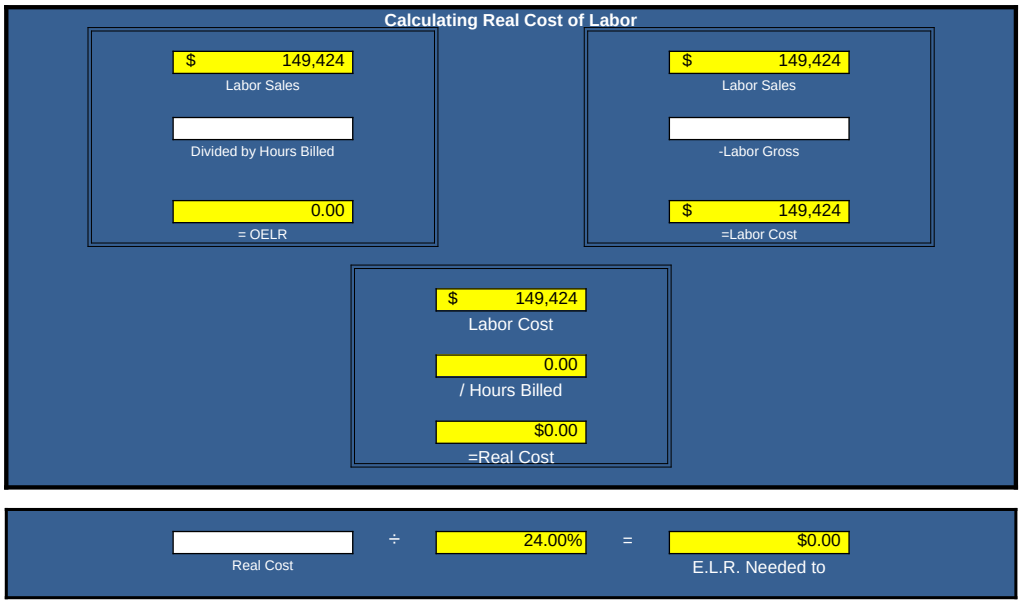

Real Cost ÷ 24.00% = $0.00 E.L.R. Needed to

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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 (excluding internal, PDI and		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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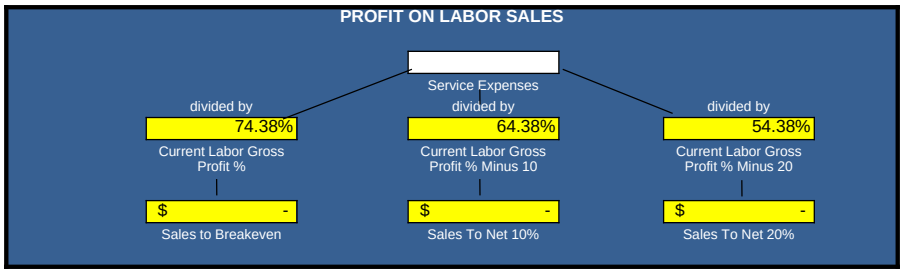

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Customer Pay Gross Profit %	70.33%	Customer Pay E.L.R.	$ 86.85
Total Service Dept. G.P.%	74.38%	Total (overall) E.L.R.	$ 95.09
Parts / Labor Ratio (Cust Pay Only)	0.97	Warranty Labor Rate	$ 123.60
Total Service Dept Expense	$ 135,154	Overall Tech Proficiency	111.61%
Hours Per R.O (recap)	4.87		
Percent Of One Item R.O.'s	48.00%		

Technician Value

Calculate using daily available hours per technician

Hours		Days		Labor Rate		Sales Value
	x		x	$ 95.09	=	$ -

Sales Value		Gross Margin		Profit Value
$ -	x	74.38%	=	$ -

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

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STAFFING REQUIREMENTS

A. Sales To Break Even

Service Expenses for One Month	÷	Current Gross Profit Percent	=	Sales To Break Even
	÷	74.38%	=	$ -

B. Sales To Generate 20% Net

Service Expenses for One Month	÷	Current Gross Profit Percent (Minus 20)	=	Sales To Generate 20% Net
$ -	÷	54.38%	=	$ -

C. Technician Value

Daily Work Hours	X	Average Proficiency Rate	X	Overall Effective Labor Rate	X	Work Days Per Month	=	Technician Value
0		80%		$ 95.09		0		$0
0		90%		$ 95.09		0		$0
0		100%		$ 95.09		0		$0
0		120%		$ 95.09		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	74.38%
	=	
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	$ 95.09
	=	
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%	64.38%
	=	
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	$ 95.09
	=	
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%	54.38%
	=	
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	$ 95.09
	=	
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			
Multiply by .3 hours	x		0.3 hours
Additional customer labor hours generated	=		0.00
Multiply by Customer Labor Rate	x		$ 86.85
Equals additional Customer Labor Sales Generated	=		$ -
Multiply by customer Labor Gross Profit %	x		70.33%
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	=		0.97
Multiply by Customer Labor Sales	x		$ -
Equals additional Customer Parts Sales generated	=		$ -
Multiply by Customer Parts Sales Gross Profit %	x		
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	=	$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		Average **Cost**
$ -	X		=	$ -
Cost		Factor		Average **Price**

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Cost Of A Come-Back

Lost Customer Opportunity			
Average Hours per R.O.	X		
	=	0.0	
Effective Labor Rate	X	$ 95.09	
Lost Labor Sales	=	$ -	(A)
Service Department Gross Profit % (Excluding Sublet)	X	74.38%	
Lost Labor Gross	=	$ -	(B)
Lost Labor Sales		$ -	(A)
Parts / Labor Ratio	X	0.97	
	=	$ -	
Parts Dept Gross Profit % R.O.Sales	X		
Lost Parts Gross	=	$ -	(C)
Lost Labor Gross		$ -	(B)
Lost Parts Gross	+	$ -	(C)
Total Lost Gross	=	$ -	

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