

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	1,300,000	
Contracts in Transit			1110	150,000	
A/R Incentives			1220	15,000	
Sales - New Vehicle			4010		500,000
Cost of Sales - New Vehicle			5010	475,000	
Inventory - New Vehicle			1310		165,000

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	33,500	
Contracts in Transit			1110		30,000
Notes Payable - New (Floorplan)			2130	0	
Cash			1010		1,400

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	1,400	
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.

Cash goes up, other income goes up.

5	Notes Payable - Long Term Debt	2710		400,459	
	Other Interest Expense	7030		1,667	
	Cash		1010		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		2,500	
	Accounts Payable - Trade		2110		35,000

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		0	
	Accounts Receivable - Parts, Service, Body Shop		1210		15,000

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		0	
	Floorplan Interest Expense	6210		0	
	Advertising Expense	6220		0	
	Rent Expense	7020		0	
	Cash		1010		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.

2,879,526 1,266,400