

ALWAYS = DEBIT HAVE 1 - CREDIT OWES 1
 DEBIT = ASSET CREDIT = LIABILITY "OWES"

Account Name		Account #	DR	CR
DR	CR			
1	Cash	1010	500000	
	Current Portion of Long Term Debt	2150		92000
	Notes Payable - Long Term Debt	2710		408000

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	2000	
	Contracts in Transit	1110	3000	
	A/R Incentives	1220	1500	
	Sales - New Vehicle	4010		33500
	Cost of Sales - New Vehicle	5010	32100	
	Inventory - New Vehicle	1310		32100

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	30000	
	Contracts in Transit	1110		30000
	Notes Payable - New (Floorplan)	2130	32100	
	Cash	1010		32100

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	20000	
	Other Income	8000		20000

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		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.

$$\begin{matrix} 0 & 0 \\ 711,408 & 711,408 \end{matrix}$$

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.

Cash goes up, other income goes up.

5	Notes Payable - Long Term Debt	2710		7,541	
	Other Interest Expense	7030		1,667	
	Cash		1010		9,208

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		15,000	
	Accounts Payable - Trade		2110		15,000

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		8,500	
	Accounts Receivable - Parts, Service, Body Shop		1210		8,500

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		15,000	
	Floorplan Interest Expense	6210		1,000	
	Advertising Expense	6220		9,000	
	Rent Expense	7020		6,000	
	Cash		1010		31,000

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.

711,408 711,408

T ACCOUNTS

+	-
CASH	
800,000	Beg Bal
500,000	
2,000	
30,000	
	32,100
20,000	
8,500	9,208
	31,000
<u>1,288,192</u>	End Bal

+	-
CIT	
150,000	Beg Bal
30,000	30,000
<u>150,000</u>	End Bal

+	-
A/R INCENTIVES	
15,000	Beg Bal
1,500	
<u>16,500</u>	End Bal

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

-	+
SALES NEW	
Beg Bal	500,000
	33,500
End Bal	<u>533,500</u>

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

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

+	-
A/R P,S,BS	
30,000	Beg Bal
	8,500
<u>21,500</u>	End Bal

+	-
INVENTORY PRE OWNED	
400,000	Beg Bal
400,000	End Bal

+	-
COS NEW	
475,000	Beg Bal
32,100	
<u>507,100</u>	End Bal

+	-
COS PRE-OWNED	
450,000	Beg Bal
450,000	End Bal

+	-
INVENTORY NEW	
1,650,000	Beg Bal
	32,100
<u>1,617,900</u>	End Bal

-	+
A/P TRADE	
Beg Bal	35,000
	15,000
End Bal	<u>50,000</u>

+	-
SALES COMPENSATION	
0	Beg Bal
15,000	
<u>15,000</u>	End Bal

+	-
FLOORPLAN INTEREST EXP	
0	Beg Bal
1,000	
<u>1,000</u>	End Bal

+	-
COMPUTER EQUIPMENT	
2,500	Beg Bal
15,000	
<u>17,500</u>	End Bal

-	+
ST PORTION OF LTD	
Beg Bal	0
	92,000
End Bal	<u>92,000</u>

+	-
ADVERTISING EXP	
0	Beg Bal
9,000	
<u>9,000</u>	End Bal

+	-
RENT EXP	
0	Beg Bal
6,000	
<u>6,000</u>	

-	+
NOTES PAYABLE - NEW	
Beg Bal	1,675,000
32,100	
End Bal	<u>1,642,900</u>

-	+
LTD - NOTES PAYABLE	
Beg Bal	0
	408,000
7,541	
End Bal	<u>400,459</u>

+	-
OTHER INTEREST EXP	
0	Beg Bal
1,667	
<u>1,667</u>	End Bal

+	-
OTHER INCOME	
Beg Bal	0
	20,000
End Bal	<u>20,000</u>

2020 OEM FINANCIAL STATEMENT

Month/Year Jan-20 Through Jan-20

BALANCE SHEET

Page 1

Assets	Acct #	Amount	1	Liabilities	Acct #	Amount
Cash	1010	1,288,192	2	A/P Trade	2110	50,000
CIT	1110	150,000	3	Notes Payable New	2130	1,642,900
Total Cash & Contracts		1,438,192	4	Current Portion of LTD	2150	92,000
			5			
Receivables			6	Total Current Liabilities		1,784,900
A/R Parts Service BS	1210	21,500	7			
A/R Incentives	1220	16,500	8	<u>Long Term Debt (LTD)</u>		
Net Receivables		38,000	9	Notes Payable	2710	400,459
			10			
Inventories			11	Total Liabilities		2,185,359
New Vehicle	1310	1,617,900	12			
Pre-Owned Vehicles	1320	400,000	13	Net Worth		
Total Inventories		2,017,900	14			
			15	Paid In Capital	3300	1,000,000
Total Current Assets		3,494,092	16	Retained Earnings	3900	262,500
			17			
Fixed Assets			18	Current Earnings		
Computer Equipment	1510	17,500	19	January		63,733
			20			
			21	Total Net Worth		1,326,233
			22			
Total Assets		3,511,592	23	Total Liab & Net Worth		3,511,592

2020 OEM FINANCIAL STATEMENT			
Month/Year	Jan-20	Through	Jan-20

INCOME STATEMENT

Month: January

YTD: January

	Acct #	Amount	1	Acct #	Amount	
Sales		1,033,500	2			
Gross Profit		76,400	3			
			4			
<u>Variable Expenses</u>			5			
Sales Compensation	6010	15,000	6			
			7			
<u>Semi-Variable Expenses</u>			8			
Floorplan Interest	6210	1,000	9			
Advertising	6220	9,000	10			
			11			
			12			
<u>Fixed Expenses</u>			13			
Rent	7020	6,000	14			
Other Interest	7030	1,667	15			
			16			
Total Expenses		32,667	17			
			18			
Operating Profit		43,733	19			
			20			
Other Adds / Deducts		20,000	21			
			22			
Net Profit		63,733	23			

2020 OEM FINANCIAL STATEMENT						
Month/Year	Jan-20	Through	Jan-20			
BALANCE SHEET						
ANSWER KEY						
Page 1						
Assets	Acct #	Amount	Liabilities	Acct #	Amount	
Cash	1010	1,288,192	A/P Trade	2110	50,000	
CIT	1110	150,000	Notes Payable New	2130	1,642,900	
Total Cash & Contracts		1,438,192	Current Portion of LTD	2150	92,000	
Receivables			Total Current Liabilities		1,784,900	
A/R Parts Service BS	1210	21,500	Long Term Debt (LTD)			
A/R Incentives	1220	16,500	Notes Payable	2710	400,459	
Net Receivables		38,000	Total Liabilities		2,185,359	
Inventories			Net Worth			
New Vehicle	1310	1,617,900	Paid In Capital	3300	1,000,000	
Pre-Owned Vehicles	1320	400,000	Retained Earnings	3900	262,500	
Total Inventories		2,017,900	Current Earnings	January	63,733	
Total Current Assets		3,494,092	Total Net Worth		1,326,233	
Fixed Assets			Total Liab & Net Worth		3,511,592	
Computer Equipment	1510	17,500				
Total Assets		3,511,592				

2020 OEM FINANCIAL STATEMENT						
Month/Year	Jan-20	Through	Jan-20			
INCOME STATEMENT						
ANSWER KEY						
Page 2						
	Month: January	Acct #	Amount	1	YTD: January	Acct #
Sales			1,033,500	2		
Gross Profit			76,400	3		
Variable Expenses				4		
Sales Compensation		6010	15,000	5		
Semi-Variable Expenses				6		
Floorplan Interest		6210	1,000	7		
Advertising		6220	9,000	8		
Fixed Expenses				9		
Rent		7020	6,000	10		
Other Interest		7030	1,667	11		
Total Expenses			32,667	12		
Operating Profit			43,733	13		
Other Adds / Deducts			20,000	14		
Net Profit			63,733	15		