

Account Name

DR	CR	Account #	DR	CR
1	Cash	1010	500,000.00	
	Current Portion of Long Term Debt	2150		92,000.00
	Notes Payable - Long Term Debt	2710		48,000.00

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	2,000.00	
	Contracts in Transit	1110	30,000.00	
	A/R Incentives	1220	1,500.00	
	Sales - New Vehicle	4010		33,500.00
	Cost of Sales - New Vehicle	5010	32,100.00	
	Inventory - New Vehicle	1310		32,100.00

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	30,000.00	
	Contracts in Transit	1110		30,000.00
	Notes Payable - New (Floorplan)	2130	32,100.00	
	Cash	1010		32,100.00

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	20,000.00	
	Other Income	8000		20,000.00

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		<u>7541.00</u>	
	Other Interest Expense	7030		<u>1667.00</u>	
	Cash		1010		<u>9,208.00</u>

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		<u>15000.00</u>	
	Accounts Payable - Trade		2110	<u>21000.00</u>	
					<u>\$ 15,000.00</u>

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		<u>8500.00</u>	
	Accounts Receivable - Parts, Service, Body Shop		1210		<u>8500.00</u>

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		<u>15,000.00</u>	
	Floorplan Interest Expense	6210		<u>1,000.00</u>	
	Advertising Expense	6220		<u>9,000.00</u>	
	Rent Expense	7020		<u>6,000.00</u>	
	Cash		1010		<u>31,000.00</u>

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.

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## T ACCOUNTS

CASH	
800,000	Beg Bal
<i>\$ 560,000</i> 0	
<i>\$ 2,000.00</i> 0	
<i>\$ 30,000.00</i> 0	
<i>\$ 20,000.00</i> 0	
<i>\$ 8500.00</i> 00	
<u>800,000</u>	<i>\$ 32,100.00</i>
800,000	End Bal
	<i>\$ 1,288,192.00</i>

CIT	
150,000	Beg Bal
<i>\$ 30,000.00</i>	<i>\$ 31,000.00</i>
<u>150,000</u>	End Bal
	<i>\$ 150,000.00</i>

  

A/R INCENTIVES	
15,000	Beg Bal
<i>\$ 152,000</i>	
<u>15,000</u>	End Bal
	<i>\$ 16,500.00</i>

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

  

SALES NEW	
Beg Bal	500,000
<i>\$ 33,500.00</i>	
End Bal	<u>500,000</u>
	<i>\$ 500,533,500.00</i>

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
<i>8500.00</i>	
<u>30,000</u>	End Bal
	<i>\$ 21,500.00</i>

INVENTORY PRE OWNED	
400,000	Beg Bal
<i>\$ 400,000.00</i>	
<u>400,000</u>	End Bal
	<i>\$ 400,000.00</i>

COS NEW	
475,000	Beg Bal
<i>\$ 32,100.00</i>	
<u>475,000</u>	End Bal
	<i>\$ 507,100.00</i>

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

INVENTORY NEW	
1,650,000	Beg Bal
<i>\$ 32,100.00</i>	
<u>1,650,000</u>	End Bal
	<i>\$ 1,617,900.00</i>

A/P TRADE	
Beg Bal	35,000
<i>2,110.00</i>	<i>\$ 15,010.00</i>
<u>35,000</u>	End Bal
	<i>\$ 50,000.00</i>

SALES COMPENSATION	
15,000.00	Beg Bal
0	
0	End Bal
	<i>15,000.00</i>

FLOORPLAN INTEREST EXP	
1,000.00	Beg Bal
0	
0	End Bal
	<i>\$ 1,000.00</i>

COMPUTER EQUIPMENT	
2,500	Beg Bal
<i>1500.00</i>	
<u>2,500</u>	End Bal
	<i>\$ 17,500.00</i>

ST PORTION OF LTD	
Beg Bal	92,000.00
<i>92,000.00</i>	0
<u>0</u>	End Bal
	<i>0</i>

ADVERTISING EXP	
9,000.00	Beg Bal
0	
0	End Bal
	<i>\$ 9,000.00</i>

RENT EXP	
6,000.00	Beg Bal
0	
0	End Bal
	<i>\$ 6,000.00</i>

NOTES PAYABLE - NEW	
Beg Bal	1,675,000
<i>\$ 32,100.00</i>	
End Bal	<u>1,675,000</u>
	<i>\$ 1,642,900.00</i>

LTD - NOTES PAYABLE	
Beg Bal	400,000.00
<i>7541.00</i>	0
<u>400,000.00</u>	End Bal
	<i>400,459.00</i>

OTHER INTEREST EXP	
1667.00	Beg Bal
0	
0	End Bal
	<i>\$ 1667.00</i>

OTHER INCOME	
Beg Bal	20,000.00
0	
End Bal	<u>20,000.00</u>
	<i>\$ 20,000.00</i>