

### CASH DAYS' SUPPLY

Page Colm Line

Cash			340,095	1	Asset	
Contracts in Transit	+		203,680	1	Asset	
Vehicle Receivables	+			1	Asset	
Market Securities	+		0	1	Asset	
Net Cash Available	=		<u>543,775</u> A			

YTD Total Expenses			1,156,916		YTD	
YTD <u>Service Sales</u>	+	673,198			YTD	
YTD <u>Service Gross</u>	-	406,812			YTD	
YTD Total Cost of Labor	=	+	<u>266,386</u>			
YTD Total Expense & Cost Of Labor	=		<u>1,423,302</u>			
Statement Month	÷		10			
Average YTD Total Expense and Cost of Labor			<u>142,330</u> B			

Net Cash Available			543,775 A			
Average YTD Total Expense and Cost of Labor	÷		<u>142,330</u> B			
Cash Months' Supply	=		3.82			
Number of Days in a Month	×		30			
Cash Days Supply	=		<u>115</u>			Guide = 90



**INVENTORY FLOORPLAN GAP (Trust Position)**

Page Colm Line

New Vehicle Inventory		8,649,274	1	Asset	
Holdback Receivable	+	35,289		Asset	
Total Inventory Value	=	8,684,563			
Notes Payable: New Vehicle	-	9,106,752	1	Liab	
Inventory Floorplan Gap	=	-422,189			

Note:

Most of you will have a negative number which may indicate an Out Of Trust position. Do not be alarmed...yet. There may be a common explanation.



**CONTRACTS IN TRANSIT DAYS' SUPPLY**

Page Colm Line

Contracts-in-transit		203,680
Current Month New Retail Sales Dollars	8,649,274	
Current Month Pre-Owned Retail Sales Dollars	+ 1,859,314	
Sub total Current Month New & Pre-Owned Retail Sales	= ÷	10,508,588
Months' Supply of Contracts-in-Transit	=	0.019
Number of Days in Month	×	30
Days Supply of Contracts-in-Transit	=	<u>1</u>

1	Asset	
	Month	
	Month	

Guide = 3



**WORKING CAPITAL**

Page Colm Line

MOST MANUFACTURERS

Total Current Assets		10,046,523	1	Asset	
LIFO Reserve (if listed as a deduct from current assets)	+	-1,594,872	1	Asset	
Current Liabilities	-	10,435,261	1	Liab	
Current Portion of Long-Term Debt (if memo)	-	0	1	Liab	
Working Capital	=	-1,983,610			

Working Capital Guide (OEM Provides)		0	1	Memo	
--------------------------------------	--	---	---	------	--

LIFO only is added back to current assets if it reduced current assets.  
 Current Portion of LT Debt will be 0 if included in Current Liabilities. Only deduct it if a memo adjacent to the Long Term Debt below the Total Current Liabilities.

GENERAL MOTORS STATEMENTS

Total Current Assets and Working Assets		10,046,523	1	Asset	
LIFO Reserve	+	-1,594,872	1	Asset	
Current Liabilities and Deferred Taxes	-	10,435,261	1	Liab	
Working Capital	=	-1,983,610	1	Memo	

Working Capital Guide (OEM Provides)		2,250,000	1	Memo	
--------------------------------------	--	-----------	---	------	--



**FIXED ABSORPTION**

Page Colm Line

YTD Service Gross Profit			0	YTD	0
YTD Parts Gross Profit	+	0		YTD	
YTD Body Shop Gross Profit	+	0		YTD	
YTD Total Fixed Operations Gross Profit	=	0	A		
YTD Total Expense	÷	0	0	YTD	0
Fixed Absorption Percentage	=	#DIV/0!	Guide = 60%		

The reciprocal of your Fixed Absorption Percentage represents your New and Pre-Owned gross profit dependency to break even.

**TOTAL APSORPTION**

Page Colm Line

YTD Gross Profit Total Fixed Opeations		0	A		
YTD Pre-Owned Gross Profit	+	0		YTD	
YTD Gross Profit Total	=	0			
YTD Total Expenses	÷	0	0	YTD	0
Total Absorption Percentage	=	#DIV/0!	Guide = 100%		

The reciprocal of your Total Absorption Percentage represents your dependency on New Vehicle gross profit to break even.

Fixed Absorption	#DIV/0!	Guide = 60%
Pre-Owned Absorption	#DIV/0!	Guide = 40%
New Vehicle Dependency	#DIV/0!	

**PARTS, SERVICE AND BODY SHOP ACCOUNTS RECEIVABLE**

Page Colm Line

Current Month Parts, Service, and Body Shop Customer Labor and Parts Sales. See Note				
Service Customer Pay	+	38,708		Month
Parts Repair Orders (ROs)	+	30,697		Month
Parts Wholesale	+	10,980		Month
Parts Counter Retail	+	1,491		Month
	+	0		Month
	+	0		Month
	+	0		Month
	+	0		Month
<i>Total Current Month Parts, Service, and Body Shop Customer Labor and Parts Sales</i>	=	<u>81,876</u> A		

Parts, Service and Body Shop Accounts Receivable		65,180		Asset
<i>Total Current Month Parts, Service, and Body Shop Customer Labor and Parts Sales</i>	÷	<u>81,876</u> A		
Months' Supply of Parts, Service, and Body Shop Accounts Receivable	=	0.80		
Number of Days in the Month	×	<u>30</u>		
Days' Supply of Parts, Service, and Body Shop Accounts Receivable	=	<u>24</u>		Guide = 15 Days

Note: You need to go to the gross profit analysis section of your income statement. Where the detail of HOW you made your money resides. The four customer pay items listed are the minimum. You might have a body shop (paint & metal). You might have express lanes seperated for parts and service. The extra lines allow you to customize for your operation.



**WARRANTY CLAIMS RECEIVABLE DAYS' SUPPLY**

Page Colm Line

Current Month Parts, Service, and Body Shop Warranty Sales. See Note			
Service Warranty Sales	+	6,462	Month
Parts Warranty Sales	+	4,524	Month
Body Shop Parts Warranty Sales	+	0	Month
Body Shop Service Warranty Sales	+	0	Month
	+	0	Month
<i>Total Current Month Parts, Service, and Body Shop Warranty Sales</i>	=	10,986 A	

Warranty Claims Receivable		6152	Asset
<i>Total Current Month Parts, Service, and Body Shop Warranty Sales</i>	÷	10,986 A	
Months' Supply of Warranty Claims Receivable	=	0.56	
Number of Days in the Month	×	30	
Days' Supply of Warranty Claims Receivable	=	<u>16.79956308</u>	

Guide

Note: The extra lines allow you to customize for your operation.  
 You need to go to the gross profit analysis section of your income statement where the detail of HOW you made your money resides.  
 Your OEM may have an maintenance plan that runs through warranty.  
 If you are selling a 3rde party extended service plan, this should be part of your customer receivables.

- 7.5 Days or 25% of Month
- 15 Days or 50% of Month
- 30 Days or 100% of Month



This calculation is in your workbook and it is below. This calculation is optional. We will discuss Vehicle Receivables during our live session but the calculation can be very misleading dependant what your operation "parks" in the account. Examples include fleet deals, dealer transfers and wholesale units at the auction not yet paid for.

**VEHICLE RECEIVABLE DAYS' SUPPLY**

		Page	Colm	Line
YTD New Vehicle Sales Dollars	16,688,000		YTD	
YTD Pre-Owned Vehicle Sales Dollars	+ 5,007,100		YTD	
YTD New and Pre-Owned Vehicle Sales Dollars	= 21,695,100			
Statement Month	÷ 10			
Avg YTD New and Pre-Owned Vehicle Sales Dollars	= 2,169,510 A			
Vehicle Receivable	0		Asset	
Avg YTD New and Pre-Owned Vehicle Sales Dollars	÷ 2,169,510 A			
Months' Supply of Vehicle Receivable	= 0.000			
Number of Days in the Month	× 30			
Days' Supply of Vehicle Receivable	= 0.00			

Guide = 3

**VEHICLE RECEIVABLES SHOULD NOT AGE !**



## NEW VEHICLE DAYS' SUPPLY & INVENTORY TURNS

NADA Guides - New Vehicle  
 Days' Supply 45 Days  
 Months' Supply 1.5 Months  
 Annual Inventory Turns 8 Turns (12 months ÷ 1.5 months)

Page Colm Line

### New Vehicle Average YTD Cost of Sales

YTD New Vehicle Retail Sales Dollars ( <i>without F&amp;I</i> )	16,688,000			
YTD New Vehicle Retail Gross Profit Dollars ( <i>without F&amp;I</i> )	± -30464	a		
YTD New Vehicle Retail Cost of Sales Dollars	= 16,718,464			
Statement Month	÷ 10			
Average YTD New Vehicle Cost of Sales	= <u>1,671,846</u>	A		

a If GP is a loss, enter a - negative number - . If GP is a gain, enter as a + positive number + .

### New Vehicle Inventory Days' Supply

New Vehicle Inventory Dollars	8,649,274		1	Asset
Average YTD New Vehicle Cost of Sales	÷ 1,671,846	A		
Months' Supply of New Vehicle Inventory	= 5.17	B		
Number of Days in the Month	× 30			
Days' Supply of New Vehicle Inventory	= <u>155</u>			Guide = 45

### New Vehicle Calendar-Year Inventory Turns

12 Months in a Year	12			
Months' Supply of New Vehicle Inventory	÷ 5.17	B		
New Vehicle Inventory Turns	= <u>2.3</u>			Guide = 8



**PRE-OWNED DAYS' SUPPLY & INVENTORY TURNS**

NADA Guides - Pre-Owned Vehicle  
 Days' Supply 30 Days  
 Months' Supply 1.0 Months  
 Annual Inventory Turns 12 Turns (12 months ÷ 1.0 months)

Pre-Owned Vehicle Average YTD Cost of Sales

YTD Pre-Owned Vehicle Retail Sales Dollars ( <i>without F&amp;I</i> )		5,007,100
YTD Pre-Owned Vehicle Retail Gross Profit Dollars ( <i>without F&amp;I</i> )	±	160,227
YTD Pre-Owned Vehicle Retail Cost of Sales Dollars	=	4,846,873
Statement Month	÷	10
Average YTD Pre-Owned Vehicle Cost of Sales	=	484,687

**a** If GP is a loss, enter a - negative number - . If GP is a gain, enter as a + posit

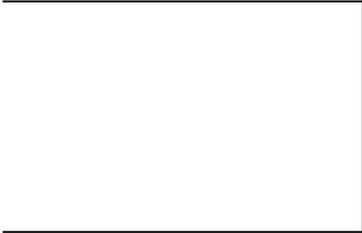
Pre-Owned Vehicle Inventory Days' Supply

Pre-Owned Vehicle Inventory Dollars		1,859,314
Average YTD Pre-Owned Vehicle Cost of Sales	÷	484,687
Months' Supply of Pre-Owned Vehicle Inventory	=	3.84
Number of Days in the Month	×	30
Days' Supply of Pre-Owned Vehicle Inventory	=	115

Pre-Owned Vehicle Calendar-Year Inventory Turns

12 Months in a Year		12
Months' Supply of Pre-Owned Vehicle Inventory	÷	3.84
Pre-Owned Vehicle Inventory Turns	=	3.1

©2020 National Automobile Dealers Association. All Rights Reserved.



Page Colm Line

a		

A

ive number + .

1	Asset	
---	-------	--

A

B

Guide = 30

B

Guide = 12



**PARTS & ACCESSORIES DAYS' SUPPLY & INVENTORY TURNS**

NADA Guides - Parts & Accessories  
 Days' Supply 45 Days  
 Months' Supply 1.5 Months  
 Annual Inventory Turns 8 Turns (12 months ÷ 1.5 months)

Page Colm Line

Parts Average YTD Cost of Sales

YTD Parts & Accesories Sales Dollars		685,359			
YTD Parts & Accessories Gross Profit Dollars	±	201,987	a		
YTD Discounts & Adjustments (use +/- sign on statement)	±				
YTD Parts & Accessories Cost of Sales Dollars	=	483,372			
Statement Month	÷	10			
Average YTD Parts & Accessories Cost of Sales	=	48,337	A		

a If GP is a loss, enter a - negative number - . If GP is a gain, enter as a + positive number + .

Parts and Accessories Inventory Days' Supply

Parts and Accessories Inventory Dollars		183,681		1	Asset	
Average YTD Parts and Accessories Cost of Sales	÷	48,337	A			
Months' Supply of Parts and Accessories Inventory	=	3.80	B			
Number of Days in the Month	×	30				
Days' Supply of Parts and Accessories Inventory	=	114				Guide = 45

Parts and Accessories Calendar-Year Inventory Turns

12 Months in a Year		12			
Months' Supply of Parts and Accessories Inventory	÷	3.80	B		
Parts and Accessories Inventory Turns	=	3.2			Guide = 8

**FROZEN CAPITAL: WARRANTY CLAIMS RECEIVABLE**

YTD Warranty Sales			
Service Warranty Sales	+	67,319	
Parts Warranty Sales	+	47,123	
Body Shop Parts Warranty Sales	+	0	
Body Shop Service Warranty Sales	+	0	
	+	0	
	+	0	
	+	0	
	+	0	
Total YTD Warranty Sales	=	114,442	
Statement Month	÷	10	
Average YTD Warranty Sales	=	11,444	
Factor	×	25.0%	
Your Guide	=	2,861	A

Your Factor for Warranty Claims Receivable is : 25.0% if paid weekly  
 50.0% if paid semi-monthly  
 100.0% if paid monthly

Warranty Claims Receivable	6,152
Your Guide	2,861 A
Frozen Capital	<u>3,291</u>





**FROZEN CAPITAL: PRE-OWNED INVENTORY**

Page Colm Line

YTD Pre-Owned Sales ( <i>without F&amp;I</i> )	+	5,007,100		YTD	
YTD Pre-Owned Gross Profit ( <i>without F&amp;I</i> )	-	160,227		YTD	
YTD Inventory Adjustments ( <i>+/- as on statement</i> )	±			YTD	
YTD Pre-Owned Cost of Sales	=	4,846,873			
Statement Month	÷	10			
Average Month Pre-Owned Cost of Sales	=	484,687			
Factor	×	1.0		Guide = 1.0	
Your Guide	=	484,687	A		

NADA Guide for Pre-Owned Vehicle Inventory is 1 month's supply or less at cost.  
 A Factor of 1.0 = 1 Month supply.

Pre-Owned Vehicle Inventory		1,859,314		1	Asset
Your Guide	-	484,687	A		
Frozen Capital		<u>1,374,627</u>			



**FROZEN CAPITAL: PARTS & ACCESSORIES INVENTORY**

Page Colm Line

YTD Parts & Accessories Sales <i>(exclude gas, oil, grease and tire sales)</i>	+	685,359	1.5	YTD	
YTD Parts & Accessories Gross Profit <i>(exclude gas, oil, grease and tire gross profit)</i>	-	201,987		YTD	
YTD Inventory Adjustments (+/- as on statement)	±	0		YTD	
YTD Parts & Accessories Cost of Sales	=	483,372			
Statement Month	÷	10			
Average Month Parts & Accessories Cost of Sales	=	48,337			
Factor	×	1.5			Guide = 1.5
Your Guide	=	72,506			A

NADA Guide for Parts & Accessories Inventory is 45 days supply or less at cost.

A Factor of 1.5 = 45 days supply.

Parts & Accessories Inventory		183,681	1	Asset	
Your Guide	-	72,506			A
Frozen Capital		<u>111,175</u>			



**FROZEN CAPITAL: SERVICE, PARTS AND BODY SHOP ACCOUNTS RECEIVABLE**

Page Colm Line

YTD Parts, Service, and Body Shop Customer Labor and Parts Sales. See Note						
Service Customer Pay	+	336,598	<table border="1"><tr><td></td><td>YTD</td><td></td></tr></table>		YTD	
	YTD					
Parts Repair Orders (ROs)	+	269,279	<table border="1"><tr><td></td><td>YTD</td><td></td></tr></table>		YTD	
	YTD					
Parts Wholesale	+	117,824	<table border="1"><tr><td></td><td>YTD</td><td></td></tr></table>		YTD	
	YTD					
Parts Counter Retail	+	15,514	<table border="1"><tr><td></td><td>YTD</td><td></td></tr></table>		YTD	
	YTD					
	+	0	<table border="1"><tr><td></td><td>YTD</td><td></td></tr></table>		YTD	
	YTD					
	+	0	<table border="1"><tr><td></td><td>YTD</td><td></td></tr></table>		YTD	
	YTD					
	+	0	<table border="1"><tr><td></td><td>YTD</td><td></td></tr></table>		YTD	
	YTD					
	+	0	<table border="1"><tr><td></td><td>YTD</td><td></td></tr></table>		YTD	
	YTD					
<i>Total YTD Parts, Service, and Body Shop Customer Labor and Parts Sales</i>		=	739,215			
Statement Month	÷	10				
Average Month Parts & Accessories Sales	=	73,922				
Factor	×	50.0%	Guide = 50%			
Your Guide	=	36,961	A			

Days' Supply of Parts, Service and Body Shop Accounts Receivable should not exceed 50% of the Current Month's retail and wholesale parts, service and body shop customer paid sales or 15 days. Guide of 15 days = one half of a month or 50%.

Parts, Service and Body Shop Accounts Receivable		65,180	<table border="1"><tr><td></td><td>Asset</td><td></td></tr></table>		Asset	
	Asset					
Your Guide	-	36,961	A			
Frozen Capital		<u>28,219</u>				

Note: You need to go to the gross profit analysis section of your income statement. Where the detail of HOW you made your money resides. The four customer pay items listed are the minimum. You might have a body shop (paint & metal). You might have express lanes seperated for parts and service. The extra lines allow you to customize for your operation.



## TOTAL FROZEN CAPITAL

Your calculation outputs from the previous tabs will automatically fill in each I  
If you have a red (negative) number, place a zero (0) on the line.

Warranty Claims Receivable	+	\$3,291
Pre-Owned Vehicle Inventory	+	\$1,374,627
Parts & Accessories Inventory	+	\$111,175
Service, Parts, Body Shop A/R	+	\$28,219
Total Frozen Capital	=	<u>\$1,517,312</u>

ine below.



**IMPACT OF AGED NEW VEHICLE INVENTORY ON NET PROFIT BEFORE TAXES**

Page Colm Line

New Vehicle Inventory over 90 days old		66
Current Floorplan Interest Rate	×	6.50%
Annual Floor Plan Interest on Aged Inventory	=	4
12 Months in a Year	÷	12
Average Month Floor Plan Interest on Aged Inventory	=	0

Schedule
Ask Controller



## IMPACT OF EXCESS NEW VEHICLE INVENTORY ON NET PROFIT BEFORE TAXES

Page Colm Line

YTD New Vehicle Sales ( <i>without F&amp;I</i> )	=	16,688,000		YTD	
YTD New Vehicle Gross Profit ( <i>without F&amp;I</i> )	-	-30,464		YTD	
YTD New Vehicle Cost of Sales	=	16,718,464			
Statement Month	÷	10			
Average Month New Vehicle Cost of Sales	=	1,671,846			
NADA Guide for New - Months' Supply	×	1.5		Guide = 1.5	
New Vehicle Inventory Dollars at Guide	=	<u>2,507,770</u> A			

New Vehicle Inventory Dollars - Actual	=	8,649,274	1	Asset	
New Vehicle Inventory Dollars at Guide	-	<u>2,507,770</u> A			
EXCESS New Vehicle Inventory Dollars	=	6,141,504			
Current Floorplan Rate	×	6.50%		Ask Controller	
Annual Floorplan Interest on Excess Inventory	=	399,198			
12 Months in a Year	÷	12			
Monthly Floorplan Interest on Excess Inventory	=	<u>33,266</u>			



## INVENTORY OPTIMIZATION

### Pre-Owned Vehicle Average Inventory Cost vs. Average Cost Per Unit Retailed

Page Colm Line

Pre-Owned Vehicle Inventory Dollars		1,859,314	1	Asset	
Number of Pre-Owned Vehicles in Stock	÷	94	1	Memo	
Average Cost of a Pre-Owned Vehicle in Inventory	=	<u>19,780</u>			<b>A</b>

YTD Pre-Owned Vehicle Sales Dollars [without F&I]	+	5,007,100			
YTD Pre-Owned Vehicle Gross Profit Dollars [without F&I]	-	160,227			
YTD Reconditioning Cost [if not a memo]	-				
YTD Pre-Owned Vehicle Cost of Sales Dollars	=	4,846,873			
YTD Number of Pre-Owned Vehicles Sold	÷	311			
Average Cost of a Pre-Owned Vehicle Sold	=	<u>15,585</u>			<b>B</b>

Average Cost of a Pre-Owned Vehicle in Inventory	+	19,780	<b>A</b>
Average Cost of a Pre-Owned Vehicle Sold	-	<u>15,585</u>	<b>B</b>
Variance	=	<u>4,195</u>	

We will discuss the difference and the significance of the number being positive or negative.

**NADA GUIDELINES FOR GROSS PROFIT RETURN ON SALES**

New Vehicle Department	5%
Pre-Owned Vehicle Department	12%
Parts Department	38%
Body Shop	55%
Service Department	76%

Page Colm Line

**New Vehicle Department Gross Profit Return on Sales**

	<u>Front End Gross</u>	
YTD New Vehicle Retail Gross Profit	-30,464	YTD
YTD New Vehicle Retail Sales Dollars	÷ 16,688,000	YTD
YTD Gross Profit Return on Sales	= <u>-0.2%</u>	

	<u>Front End Gross</u> <u>+ F&amp;I</u>	
YTD New Vehicle Retail Gross Profit	226,240	YTD
YTD New Vehicle Retail Sales Dollars	÷ 16,688,000	YTD
YTD Gross Profit Return on Sales	= <u>1.4%</u>	

	<u>Front End Gross</u> <u>+ F&amp;I</u> <u>+ Below the Line</u>	
YTD New Vehicle Retail Gross Profit	511,331	YTD
YTD New Vehicle Retail Sales Dollars	÷ 16,688,000	YTD
YTD Gross Profit Return on Sales	= <u>3.1%</u>	Guide = 5%

The 5% NADA Guide include front & back end gross profit plus below the line factory money tied to new vehicle sales plus DOC Fees.

Depending on your OEM; F&I, below the line and doc fees are not conveniently summarized on your statement. Use the area below to summarize and carry the totals to the calculations above.

---

---

---

---

---

---

---

---

---

---



**Pre-Owned Vehicle Department Gross Profit Return on Sales**

Page Colm Line

	Front End Gross		
	+ F&I		
YTD Pre-Owned Vehicle Retail Gross Profit	354,291		YTD
YTD Pre-Owned Vehicle Retail Sales Dollars	÷ 5,007,100		YTD
YTD Gross Profit Return on Sales	= 7.1%	A	Guide = 12%

**Gross Profit Opportunity Related to Pre-Owned Frozen Capital**

Pre-Owned Frozen Capital	1,374,627	Workbook Page 29
Pre-Owned Vehicle Inventory Turns	× 3.1	Workbook Page 42
Subtotal	= 4,261,344	
YTD Gross Profit Return on Sales Percentage	× 7.1%	A
YTD Gross Profit Opportunity	= 301,523	



**SERVICE DEPARTMENT GROSS PROFIT RETURN ON SALES**

Page Colm Line

YTD Customer Pay Gross Profit		211,383		YTD	
YTD Customer Pay Sales Dollars	÷	336,598		YTD	
YTD Gross Profit Return on Sales	=	<u>62.8%</u>		Guide = 76%	

YTD Internal Gross Profit		155,644		YTD	
YTD Internal Sales Dollars	÷	269,281		YTD	
YTD Gross Profit Return on Sales	=	<u>57.8%</u>		Guide = 76%	

YTD Warranty Gross Profit		39,785		YTD	
YTD Warranty Sales Dollars	÷	67,319		YTD	
YTD Gross Profit Return on Sales	=	<u>59.1%</u>		Guide = 76%	

©2020 National Automobile Dealers Association. All Rights Reserved.



## PARTS DEPARTMENT GROSS PROFIT RETURN ON SALES

Page Colm

YTD Customer RO Gross Profit		96,939			
YTD Customer RO Sales Dollars	÷	269,279			
YTD Gross Profit Return on Sales	=		36.0%		Guide = 4

YTD Internal Gross Profit		77,754			
YTD Internal Sales Dollars	÷	235,619			
YTD Gross Profit Return on Sales	=		33.0%		Guide = 4

YTD Warranty Gross Profit		13,194			
YTD Warranty Sales Dollars	÷	47,123			
YTD Gross Profit Return on Sales	=		28.0%		Guide = 28%

YTD Counter Retail Gross Profit		3,025			
YTD Counter Retail Sales Dollars	÷	15,514			
YTD Gross Profit Return on Sales	=		19.5%		Guide = 4

YTD Wholesale Gross Profit		11,075			
YTD Wholesale Sales Dollars	÷	117,824			
YTD Gross Profit Return on Sales	=		9.4%		Guide = 20%

YTD Body Shop Gross Profit		0			
YTD Body Shop Sales Dollars	÷	0			
YTD Gross Profit Return on Sales	=		#DIV/0!		Guide = 25%

©2020 National Automobile Dealers Association. All Rights Reserved.

**Line**



1%



1%



5-41%



1%



5-25%



5-30%



**OPERATING PROFIT RETURN ON GROSS**

Page Colm Line

Service Department Operating Profit Return on Gross Profit

Service Department Operating Profit	88,571		YTD	
Service Department Gross Profit	+	406,812		YTD
Operating Profit Return on Gross Profit Percentage		<u>21.8%</u>	Guide = 20%	

Parts Department Operating Profit Return on Gross Profit

Parts Department Operating Profit		42,108		YTD
Parts Department Gross Profit	+	201,987		YTD
Operating Profit Return on Gross Profit Percentage		<u>20.8%</u>	Guide = 20%	

Note:

Operating Profit has traditionally been a indicator of expense control.  
 The NADA Guide for Operating Profit in each department is 20%. In recent years, margin  
 We have elected not to do the calcualtion in class  
 but it is in your workbook and we suggest you do the calcualtion.  
 If you are below the guide in any department, review the department YTD expenses  
 because either your expenses are high or you are not doing enough volume.



**ADDITIONAL Sales Dollars to RECOVER \$100 WASTED DOLLARS**

Page Colm Line

Total Dealership Net Profit % of Sales

Net Profit Before Taxes		317,505
Total Sales	÷	23,053,657
Net Profit Return on Sales %		<u>1.4%</u>

	MTD	
	MTD	

Waste \$100

Wasted Dollars		\$100
Net Profit Return on Sales %	÷	1.4%
Additional Sales Required to Recover \$100		<u>\$7,261</u>

Spend a \$1.25

Wasted Dollars		\$1.25
Net Profit Return on Sales %	÷	1.4%
Additional Sales Required to Recover \$1.25		<u>\$91</u>

Current Month Policy Expense

Wasted Dollars		\$54,043
Net Profit Return on Sales %	÷	1.4%
Additional Sales Required to Recover "Policy"		<u>\$3,923,997</u>

	MTD	
--	-----	--

**Note:** Policy can go by different names. Examples are, Audi calls it "Comebacks", Jaguar says "Goodwill Adjustments", and VW is labeled "Customer Experience". One some statements policy is on different lines (separate variable from fixed) i.e. Ford (p 4, line 45 & p 5, line 52) and GM (p 2, line 6 & 25).



**NEW VEHICLE DEPARTMENT BREAKEVEN POINT with F&I**

Page Colm Line

YTD New Vehicle Retail Gross Profit [with F&I]

226,240

	YTD	

YTD Number of New Retail/Lease Units

÷ 448

Average Gross Profit PNVR

= 505 A

YTD New Vehicle Department Expense  
Statement Month

343,467

	YTD	
--	-----	--

÷ 10

Average New Vehicle Department Expense

= 34,347

Average Gross Profit PNVR

÷ 505 A

Number of New Vehicles to Break Even

= 68

Compare to:

Average Number New Vehicles Sold per Month

45



**PRE-OWNED VEHICLE DEPARTMENT BREAKEVEN POINT with F&I**

Page Colm Line

YTD Pre-Owned Vehicle Retail Gross Profit <i>[with F&amp;I]</i>		354,291			
YTD Number of Pre-Owned Retail/Lease Units	÷	311			
Average Gross Profit PNVR	=	<u>1,139</u>			A

	YTD	

YTD Pre-Owned Vehicle Department Expense		335,329			
Statement Month	÷	10			
Average Pre-Owned Vehicle Department Expense	=	33,533			
Average Gross Profit PNVR	÷	<u>1,139</u>			A
Number of Pre-Owned Vehicles to Break Even	=	<u>29</u>			

	YTD	
--	-----	--

Compare to:

Average Number Pre-Owned Vehicles Sold per Month		<u>31</u>
--	--	-----------



**PRE-OWNED VEHICLE DEPARTMENT DAYS IN STOCK TO BREAKEVEN**

YTD Total Pre-Owned Vehicle Department Expenses		\$335,329
YTD Number of Pre-Owned Retail Vehicles Sold	÷	311
Average Pre-Owned Vehicle Holding Cost per Retailed Unit Sold	=	\$1,078
Number of Days in Month	÷	30
Average Daily Pre-Owned Vehicle Holding Cost	=	\$36
Average Gross Profit PUVR with F&I		\$1,139
Average Daily Pre-Owned Vehicle Holding Cost	÷	\$36
Pre-Owned Vehicle Days in Stock to Break Even	=	<u>32 Days</u>





### SERVICE DEPARTMENT BREAKEVEN POINT

Page Colm Line

YTD Total Service Department Expenses	318,241		YTD	
Statement Month	÷ 10			
Average YTD Service Department Expenses	= 31,824			
YTD Total Service Department Gross Profit Retention	÷ 60.4%	See Note		
Service Sales Needed per Month to Break Even	= 52,689			

Compare to:

YTD Total Service Department Sales	673,198		YTD	
Statement Month	÷ 10			
Actual Service Sales (Average-Month)	= 67,320			

Note: This percentage is printed on your financial statement in the gross profit analysis for the service department. It is the YTD total service gross profit ÷ total service sales.

### PARTS DEPARTMENT BREAKEVEN POINT

YTD Total Parts Department Expenses	159,879		YTD	
Statement Month	÷ 10			
Average YTD Parts Department Expenses	= 15,988			
YTD Total Parts Department Gross Profit Retention	÷ 29.5%	See Note		
Parts Sales Needed per Month to Break Even	= 54,196			

Compare to:

YTD Total Parts Department Sales	685,359		YTD	
Statement Month	÷ 10			
Actual Parts Sales (Average-Month)	= 68,536			

Note: This percentage is printed on your financial statement in the gross profit analysis for the parts department. It is the YTD total parts gross profit ÷ total parts sales.



**NEW VEHICLE DEPARTMENT GROSS RETURN ON INVENTORY**

Page	Colm	Line
------	------	------

New Vehicle Department YTD Gross Profit Return on Sales		3.1
New Vehicle Inventory Turns	x	2.3
New Vehicle Department GROI		<u>7</u>

Page 50
Page 40
Guide 40%

**PRE-OWNED VEHICLE DEPARTMENT GROSS RETURN ON INVENTORY**

Pre-Owned Vehicle YTD Gross Profit Return on Sales		[Redacted]
Pre-Owned Vehicle Inventory Turns	x	[Redacted]
Pre-Owned Vehicle Department GROI		<u>0</u>

Page 51
Page 42
Guide 144%

**PARTS DEPARTMENT GROSS RETURN ON INVENTORY**

Parts YTD Gross Profit Return on Sales		29.5
Parts Inventory Turns	x	0.0
Parts Department GROI		<u>0</u>

Page 64 Retention
Page 44
Guide 304%



### WORK IN PROCESS INVENTORY DAYS' SUPPLY

Page	Colm	Line
------	------	------

YTD Labor Sales		336,598			
YTD Labor Gross Profit	-	211,383			
YTD Cost of Labor	=	125,215			
Statement Month	÷	10			
Average YTD Cost of Labor	=	12,522			A

	YTD	
	YTD	

WIP Inventory		8,291			
Average YTD Cost of Labor	÷	12,522			A
Months' Supply of WIP Inventory	=	0.662			
Number of Days in the Month	×	30			
Days' Supply of WIP Inventory	=	20			

1	Asset	
---	-------	--

Guide = 1.5

Power of Turns: Pre-Owned

<u>Gross R Us</u>		<u>Turns R Us</u>		<u>Increase</u>
Units	100	Units	100	
Turns	8	Turns	12	
Annual Units	800	Annual Units	1200	
GP	\$1,200	GP	\$900	
Total GP	\$960,000		\$1,080,000	\$120,000
Additional Sales		400		
F&I	\$1,200			\$480,000
Doc Fee	\$500			\$200,000
Recon - Total	\$1,100			
Recon - Parts	\$550	40.0%		\$88,000
Recon - Serv	\$550	76.0%		\$167,200
<b>ADDITIONAL GROSS PROFIT</b>				<b>\$1,055,200</b>