



Dealership Chart of Accounts Manual



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Asset Accounts.

This chapter should provide the NIADA dealer, office manager, internal auditor and outside accountant with an overview for Asset account numbers and descriptions.

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ASSET ACCOUNT

CASH AND CONTRACTS

1000 PETTY CASH FUND

ACCOUNT DESCRIPTION

This cash account is used to record dealership cash on hand in a small permanent imprest fund to be used for minor expenditures and for change.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Check issued to establish or increase petty cash fund. Entry posted in cash disbursements journal.			
Petty Cash	1000	X	
Cash in Bank – General	1010		X
Example 2. Check issued to reimburse petty cash fund for stamps, miscellaneous shop supplies, and small freight charges. Entry posted in cash disbursements journal.			
Office Supplies	8200	X	
Tools & Supplies	8210	X	
Freight – Parts	8330	X	
Cash In Bank – General	1010		X

ACCOUNT COMMENTS

Each petty cash payment should be supported with a petty cash voucher written in ink, signed by the recipient and signed off on by a manager. Suppliers' invoices should be attached to the petty cash voucher and stamped paid or otherwise canceled to prevent duplicate payment. The sum of all petty cash vouchers on hand and the cash on hand should always equal to the recorded balance in the account. The petty cash fund should be reimbursed periodically and at the end of the month by issuing a check to the person in charge of the fund. A petty cash summary listing the paid vouchers should be prepared to support the reimbursement. All vouchers and invoices should be cancelled to prevent possible future misuse. Payroll or payroll advances should not be given out of petty cash.

ASSET ACCOUNT

CASH AND CONTRACTS

1010 CASH IN BANK

ACCOUNT DESCRIPTION

This cash account is used to record cash on deposit with the bank in the dealership's regular checking account. Transactions include cash receipts, disbursements and fees deducted from the bank account.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Payment of finance contract amount by outside financial institution. Posted in cash receipts journal. Cash in Bank – General Contracts in Transit	1010 1020	X	X
Example 2. Customer payment on service accounts receivable balance. Posted in cash receipts journal. Cash in Bank – General Accounts Receivable – Parts and Service	1010 1150	X	X
Example 3. Deposit of cash at end of day from cash clearing account. Posted in cash receipts journal. Cash in Bank – General Undeposited Cash Clearing	1010 1040	X	X
Example 4. Miscellaneous bank charges on month-end statement. Posted in general journal. Miscellaneous Expense Cash in Bank - General	8410 1010	X	X

ACCOUNT COMMENTS

All cash received should be deposited into this account on a daily basis. It is recommended that all checks require two authorized signatures. All copies of a voided check should be retained together and the signature area should be removed. Bank reconciliation should be prepared immediately upon receipt. If possible a different person should reconcile this account two or three times a year.

ASSET ACCOUNT	CASH AND CONTRACTS
1015 CASH IN BANK – PAYROLL	

ACCOUNT DESCRIPTION

This cash account is used to record cash on deposit with the bank in the dealership's payroll checking account maintained on an imprest basis.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Establish minimum balance in payroll account.			
Cash in Bank – Payroll	1015	X	
Cash in Bank – General	1010		X
Example 2. Transfer general funds to payroll account to cover total net amount due for payroll period.			
Cash in Bank – Payroll	1015	X	
Cash in Bank – General	1010		X

ACCOUNT COMMENTS

Use of a payroll bank account simplifies the bank reconciliation procedure by separating payroll checks from the regular checking account and allows more than one employee to reconcile the regular checking account. A deposit equal to the amount of the payroll should be made into the account. This can be done as each payroll is done or a transfer at the beginning of each month to cover the monthly payroll. Bank reconciliation should be prepared immediately upon receipt of the bank statement.

ASSET ACCOUNT

CASH AND CONTRACTS

1020**FINANCE CONTRACTS IN TRANSIT**

ACCOUNT DESCRIPTION

This short-term (1-5 days) receivable account is considered as a near-cash account and is used to record money due from banks and other financial companies on financed vehicle sale contracts.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Vehicle sales contract money due from bank is set up as part of vehicle sale entry. Posted in vehicle sales journal.			
Finance Contracts in Transit	1020	X	
Used Car Retail Sales	3500		X
Example 2. Vehicle sales contract check received from bank or other financial institution. Posted in cash receipts journal.			
Undeposited Cash Clearing	1040	X	
Contracts in Transit	1020		X

ACCOUNT COMMENTS

Detailed records should be kept to support this account. At month end, a detail (i.e. schedule) of this account should be prepared showing the finance source, customer name, contract date, date contract submitted to bank, and the amount outstanding. For control purposes and cash flow purposes, this schedule should be reviewed on a daily basis to insure that money due is received from the finance source promptly.

ASSET ACCOUNT

CASH AND CONTRACTS

1030 CASH INVESTMENTS

ACCOUNT DESCRIPTION

This cash account is used to record deposits and withdrawals in investment accounts or money-market accounts maintained in the dealership's name.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Deposit of cash to investment account. Posted in cash disbursements journal.			
Cash Investments	1030	X	
Cash in Bank - General	1010		X
Example 2. Recording of interest earned on account. Posted in general journal.			
Cash Investments	1030	X	
Interest Income	9050		X
Example 3. Withdrawal of funds from investment account and deposited into the dealership general bank account.			
Cash in Bank - General	1010	X	
Cash Investments	1030		X

ACCOUNT COMMENTS

For good cash management, cash that will not be needed for short periods of time can be kept in a daily-interest bearing account or immediately accessible mutual fund. This is an excellent source of short-term interest income. Investment statements should be reconciled when received, and the interest credited to the appropriate account.

ASSET ACCOUNT

CASH AND CONTRACTS

1040 UNDEPOSITED CASH CLEARING

ACCOUNT DESCRIPTION

This is a clearing account for all cash received in the ordinary course of business and not yet deposited in the bank. It is generally considered the office cash clearing account with all incoming monies posted to this account with an offsetting bank deposit entry at the end of the day. All cash received should be deposited each banking day, intact as received. No money should be paid out of the Undeposited Cash Clearing account.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Down payment received on car sale. Posted in cash receipts journal.			
Undeposited Cash Clearing	1040	X	
Accounts Receivable – Vehicle	1100		X
Example 2. Service cash turned in by service cashier to office cashier. Posted in cash receipts journal.			
Undeposited Cash Clearing	1040	X	
Cash Sales Clearing	1050		X
Example 3. End of day deposit is recorded and posted in cash receipts journal.			
Cash in Bank - General	1010	X	
Undeposited Cash Clearing	1040		X

ACCOUNT COMMENTS

As a daily cash clearing account, this account should maintain a zero balance. The posting of cash receipts and the bank deposit on a daily basis should assure this. If a balance does exist the following day, all account transactions for the previous day should be reviewed and the reason for the balance found. If required, an adjustment should be made that day to correct any problems found.

ASSET ACCOUNT

CASH AND CONTRACTS

1050 CASH SALES CLEARING

ACCOUNT DESCRIPTION

This is a second cash clearing account used to track money from the sale of parts and the repair of vehicles. It is considered a parts and service cash clearing account used if the dealership has a second cashier. It is considered an optional clearing account for those dealerships with only one cashier.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Parts sold over the counter to retail customer for cash. Posted in parts sales journal.			
Cash Sales Clearing	1050	X	
Parts Sales – Counter	5310		X
Example 2. Service RO labor sales to retail customer for cash. Posted in service sales journal.			
Cash Sales Clearing	1050	X	
Customer Labor Sales - Mechanical	5000		X
Example 3. End of day total service and parts cash is turned into the office by the service cashier in exchange for a cash receipt from the office cashier. Posted in cash receipt journal.			
Undeposited Cash Clearing	1040	X	
Cash Sales Clearing	1050		X

ACCOUNT COMMENTS

Tickets from parts, service and body shop will be posted to this account as a debit when the sales are posted. The total of daily funds received by the service cashier will be posted to this account as a single net credit. This end-of-day batched total entry should zero out the account. Since this account is considered a daily clearing account, it should have a zero balance at the end of any day's postings. The posting of tickets and the receipt board on a daily basis should assure this. If a balance does exist at the end of day, all entries to the account should be reviewed for the day and the reason for the balance determined. If there is an error, the error should be found and adjustments made immediately.

ASSET ACCOUNT

RECEIVABLES

1100 RETAIL VEHICLES

ACCOUNT DESCRIPTION

This receivable account is used to record customer accounts resulting from the sales of cars and trucks. This account is used to post vehicle cash down amounts and cash settlement amounts. Depending on dealer preference, this account may be used to record both short-term and long-term vehicle receivables (i.e. Buy Here – Pay Here Accounts).

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Retail customer purchases vehicle for cash. Cash settlement amount is debited to this account in vehicle sales journal.			
Accounts Receivable - Vehicle	1100	X	
Used Car Retail Sale	3500		X
Example 2. Cash received from customer on vehicle purchase is recorded by issuing cash receipt. Receipt is posted in cash receipts journal.			
Undeposited Cash Clearing	1040	X	
Accounts Receivable - Vehicles	1100		X

ACCOUNT COMMENTS

This account should be scheduled with customer transactions shown on a customer by customer basis. The schedule should be summarized with balance aging for both individual customers, as well as aging totals. All receivables over 30 days old should be followed up for payment. While this account may be used for both long-term and short-term receivables, a separate account may be preferred for long-term Buy Here – Pay Here receivables. To reduce losses on receivables, the authority to extend credit should be strictly limited. Collection of receivables should be major priority of dealership management.

ASSET ACCOUNT

RECEIVABLES

1110**WHOLESALE & DEALER TRANSFER VEHICLES**

ACCOUNT DESCRIPTION

This receivable account is used to record short-term receivables due from the sale of vehicles to other dealers on a wholesale (i.e. for resale) basis.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Dealership sells over-aged vehicle to another dealer for cash. Payment to be made within 5 days of sale. Sale is posted in vehicle sales journal.			
Wholesale & Dealer Trade Vehicles	1110	X	
Used Car Wholesale Sales	3520		X
Example 2. Purchasing dealer delivers check in payment for wholesale vehicle sale to selling dealership. Payment is posted in cash receipts journal.			
Undeposited Cash Clearing	1040	X	
Wholesale & Dealer Trade Vehicles	1110		X

ACCOUNT COMMENTS

The term *dealer transfers* may be more applicable to new franchise dealers selling new units from one franchise owner to another, but is also applicable to mutli-corporation used dealers transferring inventory between different corporately owned sales lots. The term wholesale sale is used here as a sale from one dealer to another, either through direct purchase or through an auction. A schedule with aged balances should be maintained for this account with prompt follow-up on over-due balances.

ASSET ACCOUNT

RECEIVABLES

1120 LEASE & RENTAL ACCOUNTS

ACCOUNT DESCRIPTION

This receivable account is used to track balances of leased and rental vehicle customers.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Retail customer leases a vehicle for 24 months for an agreed upon monthly fee. Assume dealership is the leasing agent and owner of the vehicle.			
Lease & Rental Accounts	1120	X	
Lease, Rental & Other Vehicle-Related Income	3500		X
Example 2. Customer makes monthly payment on lease.			
Undeposited Cash Clearing	1040	X	
Lease & Rental Accounts	1120		X
Example 3. Customer rents car for seven days, with payment due at the end of week. Assume rental agreement is posted when customer picks up rental vehicle to maintain accurate vehicle inventory records.			
Lease & Rental Accounts	1120	X	
Lease, Rental & Other Vehicle-Related Income	9100		X

ACCOUNT COMMENTS

Depending on the dealer's preference and applicable laws, the balance in this account may or may not include the following items:

- Principal amount due on lease.
- Rental taxes due.
- Insurance premiums due.

This account should be scheduled, with individual customer balances recording monthly transactions and balance forward amounts due.

ASSET ACCOUNT

RECEIVABLES

1130 FINANCE & INSURANCE RECEIVABLES – CURRENT

ACCOUNT DESCRIPTION

This receivable account is used to record short-term finance receivables currently due and payable to the dealership. These monies (referred to as F&I income) are typically earned as commissions on insurance policies sold to customers on behalf of outside insurance (ex. warranty) companies. Alternatively, F&I income is paid in the form of fees from financial institutions to the dealership for directing and assisting customers in arranging financing with the financial institution.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Dealership earns commission on sale of extended warranty policy to vehicle purchase customer. Warranty contract premium payable and commission due are posted in vehicle sales journal as part of vehicle sale.			
Finance & Insurance Receivables - Current	1130	X	
Insurance Income - Used	3720		X
Example 2. Dealership earns referral fee for assisting customer in arranging financing with financial institution. F&I receivable posted in vehicle sales journal as part of sale.			
Finance & Insurance Receivable – Current	1130	X	
Used Vehicle Finance Income	3700		X
Example 3. Dealership receives referral fee check from financial institution for finance sale earlier in month. Entry for check is posted in cash receipts journal.			
Undeposited Cash Clearing	1040	X	
Finance & Insurance Receivables - Current	1130		X

ACCOUNT COMMENTS

Finance income should be calculated and recorded on each contract as the vehicle sale is recorded, since fees and commissions vary by financial institution and insurance company. As desired, separate F&I receivable sub-accounts may be used for each finance source or insurance company. Examples might be example 1131 – Finance Source A, 1132- Finance Source B, 1133 – Insurance Company A, etc.

Each account should be scheduled on a deal-by-deal basis with control numbers for each receivable earned by the dealership. These records (schedules) should be reconciled to statements received from finance sources and insurance companies on a monthly basis.

ASSET ACCOUNT

RECEIVABLES

1140 CUSTOMER NOTES

ACCOUNT DESCRIPTION

This receivable account may be used for miscellaneous short term notes, such as a promissory notes extended by the dealership to one of its customers. Depending on dealer preference, it may also be used for formal long term notes or finance contracts, such as Buy Here – Pay Here contracts.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Dealership agrees to internally finance settlement amount on vehicle sale for customer. Settlement (assume principal only) amount is posted as part of vehicle sale in vehicle sale journal.			
Customer Notes	1140	X	
Used Car Retail Sales	3500		X
Example 2. Customer makes payment to dealership as agreed to in finance agreement. Payment is posted in cash receipts journal.			
Undeposited Cash Clearing	1040	X	
Customer Notes	1140		X
Used Vehicle Finance Income (interest)	3700		X
Example 3. Customer makes payment to dealership as agreed to in finance agreement. Note amount is carried on dealership books as principal and calculated interest total.			
Undeposited Cash Clearing	1040	X	
Customer Note	1140		X
Unearned Interest	2440	X	
Used Vehicle Finance Income (Interest)	3700		X

ACCOUNT COMMENTS

Depending on the dealership's preference and/or software, customer notes may be carried in accounting records as either (a) note principal amounts only or as (b) note principal and calculated interest totals. When notes are carried on a principal and interest basis, a separate payable account for unearned interest is also required to be maintained. As interest is earned over time, each customer payment entry will recognize current interest earned and reduce the balance of unearned interest.

ASSET ACCOUNT

RECEIVABLES

1150 SERVICE, PARTS & BODY ACCOUNTS

ACCOUNT DESCRIPTION

This receivable account is used to record charged service or body shop repairs, or for parts sales carried on an open account to approved dealership customers.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Customer is allowed to charge service RO to their open account. RO entry is posted in service sales journal.			
Accounts Receivable – Service, Parts and Body Shop	1150	X	
Sales –Labor – Mechanical	5000		X
Example 2. Customer makes payment on open account. Payment posted in cash receipts journal.			
Undeposited Cash Clearing	1040	X	
Accounts Receivable – Service, Parts and Body Shop	1150		X

ACCOUNT COMMENTS

This account should be scheduled, with individual customer balances being aged on a current and past due basis. Authority to permit individual open accounts and set credit limits should be limited to dealership management. While few NIADA dealerships have significant parts sales operations, this account would be the appropriate account for wholesale and front counter retail parts sale balances. Buy Here-Pay Here customers may be allowed to charge service repairs and pay for them over time. Depending on the dealership's preference and software, these charges may be added to their vehicle note or carried as a separate balance in this account.

ASSET ACCOUNT

RECEIVABLES

1160 SERVICE CONTRACT CLAIMS

ACCOUNT DESCRIPTION

This receivable account is used to track extended warranty claim monies due to the dealership from the customer and from the warranty company.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Repair to customer's car under extended warranty claim. RO includes warranty deductible amount. Claim RO is posted in service sales journal.			
Service Contract Claims	1160	X	
Cash Sales Clearing	1050	X	
Service Contract Labor Sales	5020		X
Example 2. Customer pays warranty claim deductible per RO when picking up vehicle. Cash accounted for as part of end-of-day service cash total posted in cash receipts journal.			
Undeposited Cash Clearing	1040	X	
Cash Sales Clearing	1050		X
Example 3. Warranty company pays outstanding claim with check at month-end.			
Undeposited Cash Clearing	1040	X	
Service Contract Claims	1160		X

ACCOUNT COMMENTS

Extended warranty claims should be scheduled on an individual claim basis. If the dealership performs extended warranty claims for several insurance providers, the use of sub-accounts, such as 1160 – Claims – Warranty Company A, 1161 – Claims – Warranty Company B should be considered. Separate accounts improve account reconciliation to company claim payment statements. Extended service contract (warranty) claims should be processed on a daily basis in a similar manner as cash or internal charge accounts in order to maintain cash flow.

ASSET ACCOUNT

RECEIVABLES

1170 ALLOWANCE FOR DOUBTFUL ACCOUNTS

ACCOUNT DESCRIPTION

This contra-receivable account is used to record the totals of all outstanding account balances that are deemed non-collectible during the year. This allowance is adjusted upward or downward on a monthly basis to reflect current collection status of all outstanding balances.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Dealership management reviews all outstanding accounts at month-end and determines that allowance for doubtful receivables should be increased to reflect increased dollar value of past-due and non-payment accounts.			
Bad Debt Expense	8250	X	
Allowance for Doubtful Accounts	1170		X
Example 2. Dealership management reviews all outstanding accounts at month-end and determines that allowance for doubtful receivables should be decreased to reflect smaller dollar value of past-due and non-payment accounts than in prior months.			
Allowance for Doubtful Accounts	1170	X	
Bad Debt Expense	8250		X
Example 3. Dealership writes off a specific service account as non-collectible.			
Allowance for Doubtful Receivables	1170	X	
Accounts Receivable – Service, Parts & Body Shop	1150		X

ACCOUNT COMMENTS

Items written off should have the approval of the department manager. Accounts and notes receivable charged off as uncollectible are removed from account schedules by customer control number. Records on accounts should be transferred to a collection file for further collection efforts. When receivables are attributable to a specific dealership department, such as the vehicle or F&I departments, bad debt expense should be reclassified so that it is reflected in the proper operating department.

ASSET ACCOUNT

RECEIVABLES

1360 TRADE RECEIVABLES - AFFILIATES

ACCOUNT DESCRIPTION

This receivable account is used to record transactions between the parent and subsidiary companies.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. BPHH Dealership sells (factors) bundle of accounts receivable customer notes to affiliated finance company partially or fully owned by dealer. Entry posted in general journal.			
Trade Accounts – Affiliates	1360	X	
Customer Notes	1140		X
Example 2. Service repairs completed on vehicle owned by affiliated company also owned by dealer. Entry posted in service sales journal.			
Trade Receivables – Affiliates	1360	X	
Customer Labor Sales - Mechanical	5000		X
Example 3. Affiliated company sends check in payment for service repairs on account. Check posted in cash receipts journal.			
Undeposited Cash Clearing	1040	X	
Trade Receivables – Affiliates	1360		X

ACCOUNT COMMENTS

Trade receivables, by definition, involve the movement of goods and services between related or affiliated companies. For NIADA dealers, examples of these related companies might be a car lot owned by a dealer who also owns an affiliated finance company or separate pager/cell phone sales company. These companies often transact business between each other, with designated accounts receivable and payable accounts to record these transactions.

ASSET ACCOUNT

RECEIVABLES

1370 OTHER RECEIVABLES

ACCOUNT DESCRIPTION

Receivables due that are not otherwise accounted for in this manual.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Dealership purchases copy machine for finance company owned by owner.			
Other Receivables	1370	X	
Cash In Bank	1010		X

ACCOUNT COMMENTS

Receivables due the dealership for which no account is provided in this manual. At minimum, this account should be scheduled and tracked with a control number or name.

ASSET ACCOUNT

INVENTORIES

1380 DEMONSTRATORS

ACCOUNT DESCRIPTION

This inventory account is used to record vehicles placed in demonstrator service.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Used car placed in demonstrator service and transferred from used car inventory to demo inventory.			
Demonstrators	1380	X	
Used Cars	1450		X
Example 2. Demo sold and transferred back to used car inventory so that the sale may be posted.			
Used Cars	1450	X	
Demonstrators	1380		X

ACCOUNT COMMENTS

This account should be scheduled, using stock number as control number. Sales of demos should be classified as retail sales. Physical inventory should be done at month end.

ASSET ACCOUNT

INVENTORIES

1440 OTHER AUTOMOTIVE

ACCOUNT DESCRIPTION

This inventory account is used to record vehicles other than cars and trucks that the dealership may have in inventory, such as new or used recreational vehicles, campers, snowplows.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Recreational vehicle purchased by dealership for resale.			
Other Automotive	1440	X	
Cash in Bank	1010		X

ACCOUNT COMMENTS

This account should be scheduled, using the stock number of each vehicle, camper body, etc. as the control number. A physical count of inventory and reconciliation with dealership records should be completed on a monthly basis to assure proper accounting and that internal control procedures are in order.

ASSET ACCOUNT	INVENTORIES
1450 USED CARS	

ACCOUNT DESCRIPTION

Used cars held for resale valued at the lower of cost or estimated wholesale value (ACV). Cost includes reconditioning and acquisition charges.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Dealership purchases car at auction.			
Used Cars	1450	X	
Cash in Bank	1010		X
Example 2. Vehicle is reconditioned by outside vendor.			
Used Car Inventory	1450	X	
Accounts Payable – Trade Creditors	2000		X
Example 3. Vehicle is sold. Reconditioning costs are transferred from cost of sale to reconditioning account.			
Used Car Retail Sales	3500		X
Cost of Sales – Used Car Retail Sales	4500	X	
Inventory – Used Cars	1450		X
Cost of Sales – Used Car Retail Sales	4500		X
Reconditioning – Used Cars	4510	X	
Accounts Receivable – Vehicles	1100	X	

ACCOUNT COMMENTS

This account should be scheduled with the stock number as control number. Inventory cost should include the following items:

- Actual cash value of vehicle at time of acquisition, whether taken in trade, purchased or repossessed.
- Cost of internal labor and parts to recondition the vehicle for resale (or wholesale).
- Compensation (fees) of used car buyers, if they are not dealership personnel.

Physical inventory should be done at month end and reconciled to this account. If vehicle has declined in value, it should be written down to current fair market value.

ASSET ACCOUNT	INVENTORIES
1470 USED TRUCKS	

ACCOUNT DESCRIPTION

Used trucks held for resale valued at the lower of cost or estimated wholesale value (ACV). Cost includes reconditioning and acquisition charges.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Purchase truck from individual.			
Inventory - Used Trucks	1470	X	
Cash in Bank	1010		X
Example 2. Sale of used truck at wholesale, with reconditioning reclassification.			
Used Truck Wholesale Sales	3560		X
Cost of Sales – Used Truck Wholesale Sales	4560	X	
Inventory – Used Trucks	1470		X
Accounts Receivable – Wholesale & Dealer Trades.	1110	X	
Cost of Sales – Used Truck Wholesale Sales	4560		X
Reconditioning – Used Truck	4550	X	

ACCOUNT COMMENTS

This account should be scheduled with the stock number as control number. Inventory cost should include the following items:

- Actual cash value of vehicle at time of acquisition, whether taken in trade, purchased or repossessed.
- Cost of internal labor and parts to recondition the vehicle for resale (or wholesale).
- Compensation (fees) of used car buyers, if they are not dealership personnel.

Physical inventory should be done at month end and reconciled to this account. If vehicle has declined in value, it should be written down to current fair market value.

ASSET ACCOUNT 1490	REMARKETED VEHICLES	INVENTORIES
ACCOUNT DESCRIPTION		
Cars and trucks purchased at factory (ex. Ford, GM, etc.) sales. Vehicles include factory executive units, fleet repurchase and other units.		

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Remarketed car purchased on wholesale floor plan from closed auction.			
Inventory - Remarketed Vehicles	1490	X	
Notes Payable – Used Vehicles	2110		X
Example 2. Additional equipment (accessory) added to unit in dealership Service Department on internal RO.			
Internal Labor Sales	5080		X
Cost of Sales – Internal Labor	6080	X	
Inventory – Labor in Process	1550		X
Internal Parts & Accessory Sales	5260		X
Cost of Sales – Internal P & A sales	6260	X	
Inventory – P & A	1500		X
Inventory – Remarketed Vehicles	1490	X	

ACCOUNT COMMENTS

This account should be scheduled with the stock number as control number. Inventory cost should include the following items:

- Actual cash value of vehicle at time of acquisition, whether taken in trade, purchased or repossessed.
- Cost of internal labor and parts to recondition the vehicle for resale (or wholesale).
- Compensation (fees) of used car buyers, if they are not dealership personnel.

Physical inventory should be done at month end and reconciled to this account. If vehicle has declined in value, it should be written down to current fair market value.

ASSET ACCOUNT

INVENTORIES

1500 PARTS & ACCESSORIES

ACCOUNT DESCRIPTION

Inventory for parts and accessories (P&A) on hand valued at the lower of cost or fair market value.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Parts purchased on open account.			
Inventory – Parts & Accessories	1500	X	
Accounts Payable – Trade Creditors	2000		X
Example 2. Sales of P&A on Service Department RO.			
Parts Sales – Mechanical RO	5200		X
Cost of Sales – Mechanical RO	6200	X	
Inventory – Parts & Accessories	1500		X
Cash Sales Clearing	1050	X	

ACCOUNT COMMENTS

Parts and accessories sales should be costed on an item-by-item basis at the time of sale, since this method produces the most accurate cost of sales data and provides the best control of inventory. It is recommended that dealers establish a standard cost and list price for all routinely inventoried parts so that inventory standard costing methods can be used. The percentage method of costing is not recommended.

- Freight on purchases should not be charged to this account, but rather to account 8330 – Freight.
- Discounts earned on the quantity of parts and accessories purchased should not be posted to this account, but rather to account 6350 – Purchase Discount, Premiums and Other Allowances, a P&A cost of sale account.

Physical parts inventory should be taken annually. It is suggested that an outside firm take the inventory, if not every year, at least every other year.

ASSET ACCOUNT	INVENTORIES
1520 FUEL, OIL & GREASE	

ACCOUNT DESCRIPTION

Cost of fuel, oil & grease on hand, including brake fluid, antifreeze, solvents, fabric guard, paint sealants, undercoating materials and bulk oil.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Oil purchased on account.			
Inventory – Fuel, Oil & Grease	1520	X	
Accounts Payable – Trade Creditors	2000		X
Example 2. Monthly adjustment after physical inventory.			
Inventory – Fuel, Oil & Grease	1520		X
Cost of Sales – Fuel, Oil & Grease	6280	X	

ACCOUNT COMMENTS

Close inventory control of this account is recommended to minimize shrinkages and other losses. A physical inventory should be taken monthly and the balance of this account adjusted to actual dollar value of inventory on hand. Inventories should be priced in accordance with the latest cost prices available – at the lower of cost or market value. Unless costing of materials sold or used is accurate, sizeable adjustments will be necessary at month-end to adjust the account balance to the physical inventory total value.

Various materials are sold and costed in different ways. Some are sold by the pound while others are sold by the pint, quart or gallon. Costing methods and prices should be reviewed periodically to permit cost of material sold and dispensed to be as accurate as possible.

Containers of material other than those being currently used should be stored in a secure location, when possible, to reduce shrinkage and pilferage.

ASSET ACCOUNT

INVENTORIES

1530 PAINT & BODY SHOP MATERIALS

ACCOUNT DESCRIPTION

Cost of body shop materials on hand, including paint, paint thinner, lead, masking tape, rubbing compound, sanding discs and undercoating material.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Purchase paint on account.			
Inventory - Paint & Body Shop Materials	1530	X	
Accounts Payable – trade creditors	2000		X
Example 2. Costing of body shop material on RO.			
Cost Of Sales –Paint & Body Shop Materials	6450	X	
Inventory - Paint & Body Shop Materials	1530		X
Example 3. Month end adjustment to account after physical inventory.			
Inventory - Paint & Body Shop Materials	1530	X	
Cost Of Sale – Paint & Body Shop Material	6450		X

ACCOUNT COMMENTS

Close inventory control of this account is recommended to minimize shrinkages and other losses. A physical inventory should be taken monthly and the balance of this account adjusted to actual dollar value of inventory on hand. Inventories should be priced in accordance with the latest cost prices available – at the lower of cost or market value. Unless costing of materials sold or used is accurate, sizeable adjustments will be necessary at month-end to adjust the account balance to the physical inventory total value.

Various materials are sold and costed in different ways. Some are sold by the pound while others are sold by the pint, quart or gallon. Costing methods and prices should be reviewed periodically to permit cost of material sold and dispensed to be as accurate as possible.

Containers of material other than those being currently used should be stored in a secure location, when possible, to reduce shrinkage and pilferage.

ASSET ACCOUNT

INVENTORIES

1540 SUBLET REPAIRS

ACCOUNT DESCRIPTION

The cost of both labor and material for repairs performed by outside sources. This account includes the cost of sublet work for both shop and body shop sublet repairs. Therefore, care should be exercised when recording the sales and cost of sales of these repairs since separate sales and cost accounts are provided.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Customer windshield repair performed by an outside vendor.			
Inventory – Sublet Repairs.	1540	X	
Accounts Payable – Trade Creditors	2000		X
Example 2. Costing of sublet repair on shop RO.			
Sublet Repair Sales	5100		X
Cost of Sales – Sublet Repairs	6100	X	
Inventory – Sublet Repairs	1540		X
Cash Sales Clearing	1050	X	
Example 3. Adjustment of account to balance with month-end inventory.			
Cost of Sales – Sublet Repairs	6100	X	
Inventory – Sublet Repairs	1540		X

ACCOUNT COMMENTS

Individual purchase of sublet work should be authorized by a properly documented and executed purchase order. The purchase order should be issued based on a repair order indicating the work to be performed. The repair order number, the purchase order number and the vendor's invoice number should be indicated on each document for cross-referencing purposes. Care must be exercised to assure that all sublet work is charged on a customer repair order and/or internally on an internal repair order. Frequent reconciliation of all repair orders indicating sublet work to be performed, with authorized purchase orders and vendor's invoices covering sublet work, will aid in charging out all sublet work to the proper sources.

It is recommended that this account be scheduled, using the service repair order number as the control number. Month end inventory should be taken and reconciled with schedule balances.

ASSET ACCOUNT

INVENTORIES

1550 WORK IN PROCESS - LABOR

ACCOUNT DESCRIPTION

This account records the net cost of all labor (Shop or Body Shop) on repair orders in process less the cost of labor that has been costed out on completed repair orders. At month-end, the debit balance in this account represents the cost of labor that has not been costed out on a completed repair order (not recorded as sales).

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Post completed repair order.			
Customer Labor Sales – Shop RO	5000		X
Cost of Sales – Customer Labor – Shop RO	6000	X	
Inventory – Work in Process - Labor	1550		X
Cash Sales Clearing	1050	X	
Example 2. Accrue month-end payroll for all uncompleted repairs.			
Inventory – Work in Process – Labor	1550		X
Cost of Sales – Customer Labor – Shop RO	6000	X	
Cost of Sales – Internal – Shop RO	6080	X	
Example 3. Adjust account to actual based on month-end physical inventory.			
Unapplied Labor	6110	X	
Inventory – Work in Process - Labor	1550		X

ACCOUNT COMMENTS

Labor costs incurred by technicians should be charged to this account using individual technician hourly pay rate (flag time rate). Inventory of costs is reduced when repair order is posted, after the customer has paid for completed repairs.

Each month-end, this account balance should be in agreement with a physical inventory of uncompleted mechanical or body shop repair orders. Any variance between the general ledger account balance and the detailed inventory list should be resolved if possible. If not, the variance should be charged to unapplied labor.

When mechanics/technicians are employed on a guaranteed basis, the amount paid, if any, in excess of their productive earnings should be charged directly to Unapplied Labor. When an individual is employed in both a productive and utility role, such as a porter who also does minor repairs, only productive time should be charged to this account.

ASSET ACCOUNT

INVENTORIES

1570 OTHER INVENTORY

ACCOUNT DESCRIPTION

Other items the dealership may carry in inventory for retail sales. Examples might include new and used tractors and farm equipment, boats and boat trailers, golf carts, etc.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Used tractor traded in on used car sale.			
Used Car Retail Sales	3500		X
Cost of Sales – Retail Car Sales	4500	X	
Inventory – Used Cars	1450		X
Inventory – Other	1570	X	
Accounts Receivable - Vehicles	1100	X	
Example 2. Used tractor sold for cash.			
Other Income	9070		X
Inventory – Other	1570	X	
Undeposited Cash Clearing	1040	X	

ACCOUNT COMMENTS

Used for other items the dealership may purchase to retail. Separate records should be maintained on each item in this account, with the account being scheduled if desired.

In Example 2, note that the profit on the used tractor sale was posted to a non-operational income account since the authors have assumed that this was an unusual or one time sale. However, if the decision was made to regularly engage in used tractor sales, a separate operational tractor sales and cost of sales account is recommended to be added to the chart of accounts.

ASSET ACCOUNT

INVENTORIES

1580**ALLOWANCE – PARTS INVENTORY ADJUSTMENT**

ACCOUNT DESCRIPTION

Monthly allowance for estimated shrinkage in the parts inventory account resulting from obsolescence, theft or breakage.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Standard entry for projected parts shortage. Shortage expense to be spread over 9-12 months.			
Allowance – Parts Inventory Adjustment	1580		X
Parts Inventory Adjustments	6370	X	
Example 2. Adjustment at year-end when actual shortage is calculated by physical inventory.			
Inventory – Parts & Accessories	1500		X
Allowance – Parts Inventory Adjustments	1580	X	
Parts Inventory Adjustments	6370	X	

ACCOUNT COMMENTS

This account is used to record a standard entry for estimated shortages when the annual parts and accessory inventory is taken. The standard entry amount may be the same amount each month (estimated shortage divided by 12) or a varying amount (set percentage of P&A inventory as of prior month-end).

Once the inventory is taken, the balance in this account is offset against the actual shortage (or overage) amount. Depending on the actual amount of the shortage, the parts expense account may be a credit or debit.

Calculations for standard entries for this account should be consistent from month-to-month with monthly worksheets filed in a file folder for this account.

ASSET ACCOUNT

INVENTORIES

1595 LIFO RESERVE – USED VEHICLES

ACCOUNT DESCRIPTION

This inventory account records the difference between the FIFO and LIFO method of used car inventory, where the LIFO election has been taken and recorded in this account.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Set up the reserve to reflect the difference between FIFO and LIFO inventory valuations.			
LIFO Adjustments – Used Vehicles	4640	X	
LIFO Reserve – Used Vehicles	1595		X

ACCOUNT COMMENTS

Any decision to adopt the LIFO method of inventory valuation and any procedures adopted for accounting and financial reporting under LIFO should be made with the advice of competent tax counsel.

ASSET ACCOUNT

INVENTORIES

1600 LIFO RESERVE – PARTS & ACCESSORIES

ACCOUNT DESCRIPTION

This inventory account records the difference between the FIFO and LIFO method of parts and accessories inventory, where the LIFO election has been taken and recorded in this account.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Set up the reserve to reflect the difference between FIFO and LIFO inventory valuations.			
LIFO Adjustments – Parts & Accessories	6385	X	
LIFO Reserve – Parts & Accessories Inventory	1600		X

ACCOUNT COMMENTS

Any decision to adopt the LIFO method of inventory valuation and any procedures adopted for accounting and financial reporting under LIFO should be made with the advice of competent tax counsel

ASSET ACCOUNT	PREPAID EXPENSES
1610 PREPAID EXPENSES	

ACCOUNT DESCRIPTION

Expenses paid up in advance that apply to future accounting periods.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Four month contract for radio ads paid for in advance (at time of contract signing).			
Prepaid Expenses	1610	X	
Cash in Bank	1010		X
Example 2. Amortization (write-off) of one month's radio ad expense.			
Prepaid Expenses	1610		X
Advertising	8000	X	

ACCOUNT COMMENTS

Separate records should be maintained to support this account. Worksheets used to calculate monthly amortization entries should be maintained in the file folder for this account.

ASSET ACCOUNT

PREPAID EXPENSES

1620 PREPAID TAXES

ACCOUNT DESCRIPTION

Taxes paid in full that represent future accounting periods.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Yearly business license is paid in advance.			
Prepaid Taxes	1620	X	
Cash In Bank	1010		X
Example 2. Monthly write off of business license (tax).			
Taxes - Other	8400	X	
Prepaid Taxes	1620		X

ACCOUNT COMMENTS

Records, including amortization calculation worksheets and copies of supporting tax receipts should be kept in a file folder to support this account.

ASSET ACCOUNT

PREPAID EXPENSES

1630 PREPAID RENT

ACCOUNT DESCRIPTION

Rent paid up front that applies to future accounting periods.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Six months rent for building to store office records paid in advance.			
Prepaid Rent	1630	X	
Cash In Bank	1010		X
Example 2. Monthly write off for storage building rent.			
Prepaid Rent	1630		X
Miscellaneous Expense	8410	X	

ACCOUNT COMMENTS

Records should be kept to support this account, and worksheets used to compute monthly write off amounts should be stored in the file folder for this account.

ASSET ACCOUNT

PREPAID EXPENSES

1640 PREPAID INSURANCE

ACCOUNT DESCRIPTION

Insurance premiums paid up front that apply to future accounting periods.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Initial payment of building insurance (1- 3 months).			
Prepaid Insurance	1640	X	
Cash In Bank	1010		X
Example 2. Monthly write off of insurance premium.			
Prepaid Insurance	1640		X
Insurance- Buildings & Improvements	8450	X	

ACCOUNT COMMENTS

Separate records should be maintained to support this account. Worksheets used to calculate monthly amortization entries should be maintained in the file folder for this account.

ASSET ACCOUNT

PREPAID EXPENSES

1660 PREPAID OTHER

ACCOUNT DESCRIPTION

Prepaid expenses that will benefit future accounting periods and not otherwise accounted for in the manual.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Purchase large quantity of custom printed computerized repair order forms.			
Prepaid Other	1660	X	
Cash In Bank	1010		X
Example 2. Monthly write off of RO forms based on usage.			
Office Supplies & Stationary	8200	X	
Prepaid Other	1660		X

ACCOUNT COMMENTS

Separate records should be maintained to support this account. Worksheets used to calculate monthly amortization entries should be maintained in the file folder for this account.

ASSET ACCOUNT	OTHER CURRENT ASSETS
1670	OTHER CURRENT ASSETS

ACCOUNT DESCRIPTION

Items held by dealership that may be quickly turned into cash.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Coin collection purchased.			
Other Current Assets	1670	X	
Cash In Bank	1010		X

ACCOUNT COMMENTS

This account should be used for items that are purchased that can be quickly turned into cash. Separate records with supporting documentation should be maintained on each item in the account.

ASSET ACCOUNT

LEASE & RENTAL VEHICLES

1680 LEASE VEHICLES

ACCOUNT DESCRIPTION

The use of this account is intended for those dealerships engaged in leasing vehicles on a supplemental basis. Vehicles purchased for lease service should be placed in the appropriate used vehicle inventory account until placed in long term lease service. Then a general journal entry should be made to transfer the unit from used vehicle inventory to this account.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Used truck placed in lease service.			
Lease Vehicles	1660	X	
Used Trucks - Inventory	1470		X

ACCOUNT COMMENTS

This account should be scheduled, using the stock number as control number for unit in service. The balance of this account should include the cost of all vehicles placed in lease service, including cost of dealer installed optional equipment and accessories.

Regardless of the number of units placed in lease service, it is recommended that competent legal, accounting and tax counsel be obtained.

Dealerships engaged in this activity on a large scale should consider establishing a separate leasing business, with a software system (including accounting) designed specifically for that type of business.

ASSET ACCOUNT	LEASE & RENTAL VEHICLES
1690	LEASE VEHICLE – ACCUMULATED DEPRECIATION

ACCOUNT DESCRIPTION

Accumulated depreciation for vehicles placed in lease service.
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TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Monthly depreciation for vehicle.			
Lease, Rental & Other Vehicle Related Income/Expense	9100	X	
Lease Vehicle – Accumulated Depreciation	1690		X
Example 2. Repair non-functional air conditioner in rental unit on internal repair order.			
Internal Labor Sales	5080		X
Cost of Sales – Internal Labor	6080	X	
Work in Process – Labor	1550		X
Parts Sales – Internal RO	5260		X
Cost of Sales – Internal RO	6260	X	
Inventory – Parts & Accessories	1500		X
Rental Vehicle	1690	X	

ACCOUNT COMMENTS

Useful lives of vehicles vary. Tax counsel should be sought for depreciation on vehicles placed in lease vehicle.

ASSET ACCOUNT

LEASE & RENTAL VEHICLES

1700 RENTAL VEHICLES

ACCOUNT DESCRIPTION

Cost of vehicles placed in rental service, including dealer installed options and accessories.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Used car placed in rental service.			
Rental Vehicles	1700	X	
Inventory – Used Cars	1450		X
Example 2. Rental vehicle taken out of service and put in used cars at a gain.			
Inventory – Used Cars	1450	X	
Rental Vehicle – Accumulated Depreciation	1710	X	
Rental Vehicles	1700		X
Lease, Rental & Other Vehicle Related Income/Expense	9100		X
Example 3. Recording of rental income at end of rental agreement term.			
Lease, Rental & Other Vehicle Income/Expense	9100		X
Undeposited Cash Clearing	1040	X	

ACCOUNT COMMENTS

Records should be maintained on each rental vehicle showing revenue and expenses.

The balance of this account should include the cost of all vehicles placed in rental service, including cost of dealer installed optional equipment and accessories.

Regardless of the number of units placed in rental service, it is recommended that competent legal, accounting and tax counsel be obtained.

Dealerships engaged in this activity on a large scale should consider establishing a separate rental business, with a software system (including accounting) designed specifically for that type of business.

ASSET ACCOUNT	LEASE & RENTAL VEHICLES
1710	RENTAL VEHICLES – ACCUMULATED DEPRECIATION

ACCOUNT DESCRIPTION

The balance in this account represents the total of accumulated depreciation to vehicles in rental service.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Record monthly depreciation amount for unit.			
Lease, Rental & Other Vehicle Related Income/Expense	9100	X	
Rental Vehicles – Accumulated Depreciation	1710		X
Example 2. Rental vehicle removed from service and transferred back to used cars at a gain.			
Inventory - Used Cars	1450	X	
Rental Vehicles – Accumulated Depreciation	1710	X	
Lease, Rental & Other Vehicle Related Income/Expense	9100		X
Rental Vehicles	1700		

ACCOUNT COMMENTS

Rates of depreciation vary according to the type of vehicle, and the provisions of the rental agreement. It is recommended that the dealer obtain competent legal, accounting and tax counsel for proper compliance with various legal and tax regulations.

ASSET ACCOUNT

LEASE & RENTAL VEHICLES

1720 DRIVER TRAINING VEHICLES

ACCOUNT DESCRIPTION

Vehicles designated for Driver Education should be placed in the appropriate used vehicle inventory account until such time as they are prepared for delivery, fully equipped for driver training and delivered to the school. Then, a General Journal entry should be made to transfer the unit from used vehicle inventory to this account.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Place vehicle in driver training service.			
Driver Training Vehicles	1720	X	
Inventory - Used Cars	1450		X

ACCOUNT COMMENTS

Records should be kept on any car placed in service, including detailing expenses and repairs. The party responsible for insurance on the rental vehicle should be determined up front., prior to releasing the unit to the customer.

It is recommended that the dealer obtain competent legal, accounting and tax counsel for proper compliance with various legal and tax regulations.

ASSET ACCOUNT

LEASE & RENTAL VEHICLES

1730

**DRIVER TRAINING VEHICLES – ACCUMULATED
DEPRECIATION**

ACCOUNT DESCRIPTION

The balance in this account represents the total depreciation applicable to vehicles in Driver Education service.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Standard entry for monthly depreciation of vehicle.			
Lease, Rental & Other Vehicle Related Income/Expense	9100	X	
Driver Training Vehicles – Accumulated Depreciation	1730		X

ACCOUNT COMMENTS

Upon delivery of an eligible unit to the school, the monthly depreciation rate should be determined. A standard journal entry should be made each month, at the computed dollar amounts, for the period of time that the vehicle is in service.

It is recommended that the dealer obtain competent legal, accounting and tax counsel for proper compliance with various legal and tax regulations.

ASSET ACCOUNT

FIXED ASSETS

1750 LAND & IMPROVEMENTS

ACCOUNT DESCRIPTION

This account balance contains the cost of land purchased for use in the automobile business. Cost should include acquisition costs, fees and site preparation costs. Cost of land improvements should be detailed for appropriate depreciation/amortization.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Purchase of land for car lot.			
Land & Improvements	1750	X	
Cash in Bank	1010		X
Example 2. Legal fees paid in connection with title to land.			
Land & Improvements	1750	X	
Cash in Bank	1010		X
Example 3. Cost of paving used car lot.			
Land & Improvements	1750	X	
Cash in Bank	1010		X

ACCOUNT COMMENTS

Land not used in the automobile business should be included in account 1990 – Other Assets.

A lump sum purchase of land and buildings should be distributed to the appropriate asset accounts on the basis of relative fair market values. This may be accomplished through the use of independent appraisals, assessed valuations for property tax purposes, or other equitable means.

The cost of improvements to leased land or leased buildings should be charged to account 1870 – Leaseholds & Improvements.

It is recommended that the dealer obtain competent legal, accounting and tax counsel for proper compliance with various legal and tax regulations.

ASSET ACCOUNT

FIXED ASSETS

**1760 LAND & IMPROVEMENTS – ACCUMULATED
DEPRECIATION**

ACCOUNT DESCRIPTION

This account records the balance of total accumulated depreciation on improvements to land.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Monthly depreciation of land improvements			
Depreciation – Buildings & Improvements	8450	X	
Land & Improvements – Accumulated Depreciation	1760		X

ACCOUNT COMMENTS

Depreciable land improvements, such as grading, paving or ditching should be charged to this account. Repairs and maintenance costs which ordinarily do not improve the value of the land should be expensed as they occur.

Rates of depreciation vary for different types of improvements. Dealers should maintain adequate records to support this account. It is recommended that the dealer obtain outside accounting and tax counsel to aid him in determining proper depreciation rates.

ASSET ACCOUNT

FIXED ASSETS

1770 BUILDING & IMPROVEMENTS

ACCOUNT DESCRIPTION

This account records the balance of the cost of purchased existing buildings, building improvements and construction of new buildings for the automobile business.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Roof replacement on building.			
Building & Improvements	1770	X	
Cash In Bank	1010		X

ACCOUNT COMMENTS

The cost of land and buildings purchased for a lump sum should be allocated to the appropriate accounts based on an appraisal, tax assessment or other acceptable basis. Records for all buildings and improvements should be maintained on a detailed basis. Periodic billings for building construction in process should be charged to this account.

Repairs and maintenance costs which ordinarily do not improve the value of or prolong the life of the buildings should be expensed as they occur.

It is recommended that the dealer obtain outside accounting and tax counsel to aid him in determining proper valuation and allocation of purchased land and buildings.

ASSET ACCOUNT

FIXED ASSETS

1780

BUILDING & IMPROVEMENTS – ACCUMULATED DEPRECIATION

ACCOUNT DESCRIPTION

This account represents the total accumulated depreciation of buildings and improvements.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Monthly standard entry for depreciation.			
Depreciation – Buildings & Improvements	8450	X	
Building And Improvement – Accumulated Depreciation	1780		X

ACCOUNT COMMENTS

Tax counsel should be sought before depreciation methods are adopted. Depreciable buildings and improvements, such as remodeling and upgrading bathrooms should be charged to this account. Repairs and maintenance costs which ordinarily do not improve the value of the buildings should be expensed as they occur.

Rates of depreciation vary for different types of improvements. Dealers should maintain adequate records to support this account. It is recommended that the dealer obtain outside accounting and tax counsel to aid him in determining proper depreciation rates.

ASSET ACCOUNT

FIXED ASSETS

1790 MACHINERY & SHOP EQUIPMENT

ACCOUNT DESCRIPTION

This account balance represents the net purchase price, freight and installation cost of all machinery, permanent tools, and equipment purchased or built (including lease-purchase arrangements).

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Purchase service lift.			
Machinery And Shop Equipment	1790	X	
Cash In Bank	1010		X

ACCOUNT COMMENTS

Detailed records for all service equipment and other machinery, such as lifts, parts washers, frame straightening machines and paint booths should be maintained by the dealer. Basic tools, such as wheel pullers, drivers, expanders, specialty wrenches, and truck tools should be charged to this account, as the cost of these tools is a sizeable amount. These tools should be depreciated over the expected life of the tools.

Small tools of an expendable nature (ex. shop vacuum) should be expensed, rather than capitalized.

These assets should be physically inventoried periodically.

ASSET ACCOUNT

FIXED ASSETS

1800 MACHINERY & SHOP EQUIPMENT – ACCUMULATED DEPRECIATION

ACCOUNT DESCRIPTION

This account balance represents the total accumulated depreciation of machinery and shop equipment.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Monthly depreciation amount. Depreciation - Equipment Machinery And Shop Equipment – Accumulated Depreciation.	8230 1800	X	X

ACCOUNT COMMENTS

Tax counsel should be sought before depreciation methods are adopted. Depreciable equipment and machinery should be charged to this account. Repairs and maintenance costs which ordinarily do not improve the value of or prolong the life of the equipment or machinery should be expensed as they occur.

Rates of depreciation vary for different types of machinery and equipment. Dealers should maintain adequate records to support this account. It is recommended that the dealer obtain outside accounting and tax counsel to aid him in determining proper depreciation rates.

ASSET ACCOUNT

FIXED ASSETS

1810 PARTS & ACCESSORIES EQUIPMENT

ACCOUNT DESCRIPTION

This account balance represents the net purchase price, freight, and installation costs of all equipment purchased or built (including lease-purchase arrangements) for the Parts and Accessory Department.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Purchase key machine			
Parts And Accessories Equipment	1810	X	
Cash In Bank	1010		X

ACCOUNT COMMENTS

Depreciable parts and accessory equipment should be charged to this account. Equipment for use in the Parts and Accessories Department includes such items as:

- Parts bins and racks
- Show cases and counters
- Cabinets and containers

All parts and accessory equipment should be listed individually with detailed records and supporting documentation. These assets should be physically inventoried periodically.

Repairs and maintenance costs which ordinarily do not improve the value of or prolong the life of the equipment should be expensed as they occur.

ASSET ACCOUNT

FIXED ASSETS

1820

**PARTS & ACCESSORIES EQUIPMENT –
ACCUMULATED DEPRECIATION**

ACCOUNT DESCRIPTION

This account balance represents the total accumulated depreciation on parts and accessories equipment.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Monthly depreciation amount.			
Depreciation – Equipment	8230	X	
Parts And Accessories Equipment – Accumulated Depreciation	1820		X

ACCOUNT COMMENTS

Rates of depreciation vary for different types of machinery and equipment. Dealers should maintain adequate records to support this account.

It is recommended that the dealer obtain outside accounting and tax counsel to aid him in determining proper depreciation rates.

ASSET ACCOUNT

FIXED ASSETS

1830 FURNITURE, FIXTURES & SIGNS

ACCOUNT DESCRIPTION

This account balance represents the purchase price, freight, and installation costs of all office furniture, machines and equipment, including permanent signs.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Purchase furniture for service waiting area.			
Furniture, Fixtures And Signs	1830	X	
Cash In Bank	1010		X

ACCOUNT COMMENTS

All furniture, signs and equipment should be listed in detailed records, with supporting documentation available.

It is recommended that dealerships occupying leased facilities obtain legal and tax advice regarding capitalization of assets permanently attached to such facilities, such as signs and lettering. Detailed records should support this account.

These assets should be physically inventoried periodically.

ASSET ACCOUNT

FIXED ASSETS

1840

FURNITURE, FIXTURES & SIGNS – ACCUMULATED DEPRECIATION

ACCOUNT DESCRIPTION

This account balance represents the total accumulated depreciation of furniture, signs and equipment.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Monthly depreciation entry.			
Depreciation - Equipment	8230	X	
Furniture, Fixtures & Signs – Accumulated Depreciation	1840		X

ACCOUNT COMMENTS

Rates of depreciation vary for different types of furniture, equipment and signs. Dealers should maintain adequate records to support this account.

It is recommended that the dealer obtain outside accounting and tax counsel to aid him in determining proper depreciation rates.

ASSET ACCOUNT

FIXED ASSETS

1850 COMPANY VEHICLES

ACCOUNT DESCRIPTION

The balance in this account represents the cost of vehicles, excluding demonstrators, in dealership service (tow trucks, parts truck, racing vehicles, car haulers, etc.). This account should not include cars assigned to or used by company officials. Such units should be classified as demonstrators.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Purchase car hauler.			
Company Vehicles	1850	X	
Cash In Bank	1010		X

ACCOUNT COMMENTS

This account should include such vehicles as:

- Service and parts trucks
- Wreckers
- Courtesy cars (excluding vehicles which are **primarily** revenue producing, such as daily rental vehicles to service customers. If an occasional customer is charged a nominal amount, with no contractual obligations, this should not be considered as primarily revenue producing.
- Airplanes, etc. (used in the dealership's regular business.

Company and service vehicles should be physically inventoried on a periodic basis.

The cost of licenses, insurance, interest, and ordinary maintenance should be charged to the applicable expense accounts.

ASSET ACCOUNT

FIXED ASSETS

1860

**COMPANY VEHICLES – ACCUMULATED
DEPRECIATION**

ACCOUNT DESCRIPTION

This account balance represents the total accumulated depreciation of company cars and service vehicles.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Monthly depreciation amount.			
Company Vehicle And Demonstrator Expense	8190	X	
Company Vehicles – Accumulated Depreciation	1860		X

ACCOUNT COMMENTS

Rates of depreciation vary for different types of vehicles. Dealers should maintain adequate records to support this account.

It is recommended that the dealer obtain outside accounting and tax counsel to aid him in determining proper depreciation rates.

ASSET ACCOUNT

FIXED ASSETS

1870 LEASEHOLDS & IMPROVEMENTS

ACCOUNT DESCRIPTION

Leaseholds include the purchase price of a lease. Leasehold improvements are normally defined as those improvements of a permanent nature that add value and/or life to the property.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Install air conditioning system in a leased building.			
Leaseholds & Improvements	1870	X	
Cash In Bank	1010		X

ACCOUNT COMMENTS

All leaseholds items contained in this account should have detailed records and supporting documentation.

Leaseholds normally become a permanent part of the property and become the lessor's at the end of the lease.

ASSET ACCOUNT

FIXED ASSETS

1880**LEASEHOLDS & IMPROVEMENTS – ACCUMULATED DEPRECIATION**

ACCOUNT DESCRIPTION

This account balance represents the total accumulated amortization of leaseholds and improvements.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Monthly depreciation entry.			
Amortization – Leaseholds & Improvements	8430	X	
Leaseholds & Improvements – Accumulated Depreciation	1880		X

ACCOUNT COMMENTS

Leasehold improvements should be amortized over the term of the lease or the estimated life of the improvement, whichever is shorter.

A premium paid for a lease should be amortized over the term of the lease.

It is recommended that the dealership obtain accounting and tax counsel in establishing proper accounting and amortization of leaseholds.

ASSET ACCOUNT

FIXED ASSETS

1890 OTHER FIXED ASSETS

ACCOUNT DESCRIPTION

This account balance represents the cost of fixed assets not otherwise provided for in this manual.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Dealership purchases popcorn machine for showroom.			
Other Fixed Assets	1890	X	
Cash In Bank	1010		X
Example 2. Dealership purchases big screen TV for service waiting area.			
Other Fixed Assets	1890	X	
Cash in Bank	1010		X
Example 3. Monthly depreciation/amortization entry.			
Depreciation - Equipment	8230	X	
Other Fixed Assets	1890		X

ACCOUNT COMMENTS

Records should be maintained to support this account.

It is recommended that the dealership obtain accounting and tax counsel in establishing proper accounting and amortization of other fixed assets.

ASSET ACCOUNT

OTHER ASSETS

1900 LIFE INSURANCE – CASH VALUE

ACCOUNT DESCRIPTION

The cash surrender value of life insurance represents the cash the company could get from the insurance company by surrendering the policy in which the dealership is the owner and beneficiary.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Monthly increase in cash surrender value upon payment or recording of additional premium.			
Cash Value of Life Insurance	1900	X	
Insurance – Other	8390		X
Example 2. Proceeds from life insurance surrendered.			
Cash in Bank	1010	X	
Cash Value of Life Insurance	1900		X

ACCOUNT COMMENTS

Cash surrender values, and premium separation, may be obtained from the life insurance policy or the insurance agency. It is recommended that a listing of all insurance policies indicating the policy number, agency, and insurance company be currently maintained and filed for immediate reference. All insurance policies should be properly safeguarded. It is advisable to retain all insurance policies in a "fire-proof" safe or vault.

Special treatment of this account may be required. Dealers should obtain advice from competent tax counsel for income tax purposes.

ASSET ACCOUNT	OTHER ASSETS
1910	NOTES & ACCOUNTS RECEIVABLE – OFFICERS/OWNERS

ACCOUNT DESCRIPTION

This account represents the balance of loans and cash advances to company officers and owners.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Loan to manager/shareholder.			
Notes and Accounts Receivable – Officers/Owners	1910	X	
Cash In Bank	1010		X
Example 2. Receipt for payment on loan.			
Cash In Bank	1010	X	
Notes and Accounts Receivable – Officers/Owners	1910		X

ACCOUNT COMMENTS

Withdrawals by a sole proprietor or a partner should not be charged in this account. They should be charged to Drawings – account 2560. This account should only be used when the dealership is operating as a corporation.

Individual account charges and loans should be properly recorded on a schedule and aged.

A policy should be established to provide guidelines as to the conditions and limitations under which officers can open accounts, received advances or be granted a loan. The policy should also describe any discounts available to officers, how long they have to make payments and the conditions under which credit will be terminated.

ASSET ACCOUNT

OTHER ASSETS

1920**INVESTMENTS IN AFFILIATED COMPANIES**

ACCOUNT DESCRIPTION

The account represents the balance of total cost of capital stock in a subsidiary company which the dealership owns over 50% of the voting stock. Also, the account would include the purchase price of stock in an owner-related company which the dealership owns 50% or less of the voting stock, but is controlled by common management.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Buy stock in a subsidiary company.			
Investments In Affiliated Companies	1920	X	
Cash In Bank	1010		X

ACCOUNT COMMENTS

This account is used to record investments by the dealership in an affiliated company, such as a rental car company owned at least in part by the dealer/primary stockholder of the dealership.

This account should not be used to record trade accounts receivable or accounts payable from affiliated companies.

Supporting documentation for this account should be maintained and filed for easy reference.

ASSET ACCOUNT

OTHER ASSETS

1930 ADVANCES – AFFILIATED PARTIES

ACCOUNT DESCRIPTION

This account represents balances in advances due from a subsidiary company which the dealership owns 50% or more of the voting stock. Also, includes advances due from an affiliated company in which the dealership owns less than 50% of the voting stock, but which is controlled by common management.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Advance given to an affiliated company.			
Advance – Affiliated Parties	1930	X	
Cash In Bank	1010		X
Example 2. Repayment of advance by affiliated company.			
Cash In Bank	1010	X	
Advance – Affiliated Parties	1930		X

ACCOUNT COMMENTS

This account is used to record advances due to the dealership from investments in an affiliated company, such as a rental car company or vehicle leasing company owned at least in part by the dealer/primary stockholder of the dealership.

This account should not be used to record trade accounts receivable or accounts payable from affiliated companies.

Supporting documentation for this account should be maintained and filed for easy reference.

ASSET ACCOUNT

OTHER ASSETS

1940 ADVANCES – OTHER PARTIES

ACCOUNT DESCRIPTION

This account represents balances for advances due from parties not otherwise accounted for in this manual.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Dealership gives advance to car wash company owned by relative of dealer.			
Advances – Other Parties	1940	X	
Cash in Bank	1010		X

ACCOUNT COMMENTS

This account is used to record advances due to the dealership from another party, such as a company owned in small part (ex. 5%) by the dealer/primary stockholder. Alternatively, it is an advance due to the dealership from a non-related party, such as a company owned by a dealer friend or relative in which the dealership owns no stock.

This account should not be used to record trade accounts receivable or accounts payable from affiliated companies.

Supporting documentation for this account should be maintained and filed for easy reference

ASSET ACCOUNT

OTHER ASSETS

1950 NOTES & ACCOUNTS RECEIVABLE - OTHER

ACCOUNT DESCRIPTION

Notes and accounts receivable not otherwise accounted for in this manual.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Loan to owner's son.			
Notes and Accounts Receivable - Other	1950	X	
Cash in Bank	1010		X

ACCOUNT COMMENTS

This account is used to record advances due to the dealership from notes and accounts receivables made to un-related parties.

This account should not be used to record trade accounts receivable or accounts payable from non-related parties.

Supporting documentation for this account should be maintained and filed for easy reference.

ASSET ACCOUNT

OTHER ASSETS

1960**FINANCE RECEIVABLES - DEFERRED**

ACCOUNT DESCRIPTION

This account represents the portion of finance income earned by the dealership, but withheld by the finance company to cover contingent losses on repossessions and customer prepayments.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Deferred portion of finance income.			
Finance Receivables – Deferred	1960	X	
Used Vehicle Finance Income	3700		X

ACCOUNT COMMENTS

Deferred F&I payment agreements vary with each finance institution. In some cases, deferred receivables may be a certain percentage of total receivables with the financial institution. In other cases, the dollar amount of the deferred F&I receivables may be calculated and recorded on an individual contract basis when the sale of the vehicle is recorded.

This account should have detailed records (i.e. schedules) and should be reconciled on a monthly basis with statements from each finance institution.

ASSET ACCOUNT

OTHER ASSETS

1970

OTHER INVESTMENTS & MISCELLANEOUS ASSETS

ACCOUNT DESCRIPTION

Investments and miscellaneous assets not otherwise accounted for in this manual.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Dealership purchases antique fire truck and equipment for display and promotional purposes.			
Other Investments & Miscellaneous Assets	1970	X	
Cash in Bank	1010		X

ACCOUNT COMMENTS

Supporting documentation for this account should be maintained and filed for easy reference.

ASSET ACCOUNT

OTHER ASSETS

1980 DEPOSITS ON CONTRACTS

ACCOUNT DESCRIPTION

This account represents balance of expenditures that are refundable in future years or may apply to income/expense in future years.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Utility deposit paid.			
Deposits on Contracts	1980	X	
Cash in Bank	1010		X
Example 2. Dealer buys option to rent building that will be available in two years. Option payment will partially apply to first month's rent when option exercised.			
Deposit on Contracts	1980	X	
Cash in Bank	1010		X

ACCOUNT COMMENTS

Charges to this account are generally those whose benefit to the dealership will be realized over a period beyond one year or which will not be refunded within one year.

ASSET ACCOUNT	OTHER ASSETS
1990 OTHER ASSETS	

ACCOUNT DESCRIPTION

This account represents assets not otherwise accounted for in this manual.

TYPICAL TRANSACTIONS

Account Name	Account #	Debit	Credit
Example 1. Dealership incurs legal fees for incorporation of dealership (organization expense).			
Other Assets	1990	X	
Cash In Bank	1010		X
Example 2. Monthly amortization of organization expenses.			
Miscellaneous Expense	8410	X	
Other Assets	1990		X

ACCOUNT COMMENTS

This account is used for other assets not otherwise accounted for in this manual. In the case of Example 1, the NIADA chart of accounts does not have designated account numbers for either Organization Expense or Accumulated Amortization – Organization Expense.

Organization expense will include such items as legal costs for articles of incorporation and charter, purchase of stock certificate forms and tax stamps, and the cost of raising permanent capital. Start-up costs for salaries, supplies, utilities, etc. should be recorded in appropriate operating expense accounts.

Since special treatment of this example (organization expense and its accumulated amortization) is required for income tax purposes, dealers should consult tax counsel for tax return purposes.