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ABOUT US

Henry & Horne, LLP is one of the leading accounting firms in Arizona with offices in Tempe, Scottsdale and Casa Grande.

We combine the knowledge and expertise of a premier consulting firm with the personal attention of a local CPA, meaning unmatched service to you. Our services include: daily, monthly and annual bookkeeping and accounting; audit, review and compilation of company financial statements; audits of 401(k) plans; tax planning and compliance; CPA Tuneup®; cost segregation studies; internal control reviews; estate, gift & trust services; real estate appraisal and consulting; and valuation and litigation support services.

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What is New in the Dealership World?

By Brian Campbell, CPA

Here we are already in November 2015. Wow, how time flies. I am looking back over the past few months and everything seems like a blur. So, I thought it was a good time to take a step back and look at what has been happening in the dealership industry over the past nine months.

Accounting. From an accounting standpoint, there are not a lot of new developments that will impact dealerships on a day-to-day basis. The only development that you should know about is that the new revenue recognition guidance, “Accounting Standards Update 2014-09—Revenue from Contracts with Customers”, effective date was deferred to reporting periods beginning after December 15, 2018 and for interim reporting periods within annual reporting periods beginning after December 15, 2019. Stay tuned for further updates from the AICPA regarding implementation guidance regarding this new standard.

Sales. The industry is having another great year. Through September, new vehicle sales were up 5% over the prior year and the number of units sold was over 13 million for the 9 months ending September. September sales were up over 15% over sales for September 2014. October 2015 sales are expected to be up over 21% over October 2014. This would be the largest volume of sales in October since October 2001. With these increases, new vehicle sales are expected to top 17.3 million for the year ending 2015.

Inventory. Inventory supply is still tight as dealers keep demanding more inventory but the manufacturers are slow with increasing production. Days supply of inventory was around 60 days which is about 5 days higher than August 2015 but 5 days lower than September 2014. Also, the Japanese manufacturers have been keeping their inventory levels tighter than U.S. counterparts.

Used Vehicle Wholesale Values. Used vehicle wholesale values for vehicles up to 8 years old slipped by about 3.4% in September. Between August and September, prices fell about 5.5%. This has resulted in an average market decline of over 11% for the year-to-date through September. NADA is forecasting prices in October to decrease up to 3.5% and November to decrease around 2%.

HB2216. The last topic to touch on hits home and involves the battle that has taken place between Tesla and auto dealers. Tesla has been battling auto dealers across the entire U.S. as the company wants to sell vehicles directly from the manufacturer to the consumer. This creates major issues with current auto dealers who are required to have a franchise from the manufacturer to sell vehicles. Currently, there are about 4 states where Tesla is legally allowed to sell directly to consumers. There are another 5 states where Tesla is legally allowed to sell directly to consumers but restrictions are placed on the number of cars sold or the number of stores allowed. Another 13 states either are challenging stores that Tesla has opened or the states have not allowed Tesla to sell directly to the consumer.

In Arizona, after several failed attempts by Tesla to get a bill to the floor for a vote, HB2216 was introduced in early 2015. The Arizona House Commerce Committee approved the bill and the bill has now been sitting with the Transportation and Infrastructure Committee for several months. If approved there, then it will go to several other committees, readings and votes. HB2216 still has a long road ahead of it before being passed and Tesla will probably keep fighting for years to come if not passed.

If you have questions regarding any of the items discussed above or any other questions regarding your dealership, do not hesitate to contact one of Henry & Horne, LLP’s dealership professionals.

If you have any questions, Brian can be reached at (480) 839-4900 or BrianC@hhcpa.com.



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extra parts

Google is putting an auto industry veteran in the driver's seat of its driverless-car initiative. The tech giant hired former Ford, Hyundai and TrueCar executive John Krafcik as chief executive of its self-driving car division.

Analysts say the hiring provides the first evidence that Google has committed to making money in the auto industry.

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Intel's cybersecurity division has announced a new task force to prevent car hackers from accessing vehicles connected to the internet. This comes after a recall of millions of vehicles, after researchers successfully hacked a Jeep Cherokee and drove it into a ditch.

Policymakers have since called for laws mandating stricter cybersecurity rules for automakers.

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Toyota is looking to get its cars off the ground. The automaker filed a patent application for a flying car. It's a unique, stackable wing system. Toyota's idea is to mount several narrow wings on the roof of a car that don't protrude beyond the sides of its body and can be deployed as needed.



Month-End Checklist

By Kane Lavin, CPA

For most dealerships, month-end is a little bit on the crazy side. There are a lot of things you are trying to accomplish in a short amount of time. Cooperation is needed from all departments to make the month-end close successful.

The first thing to do is establish firm timelines for information to be turned into the office. Some examples are as follows:

- All car deals need to be in the office by the end of business the first day of the month.
- All payroll information needs to be in the office by the end of the second day of the month.
- All vendor invoices turned into accounts payable by the fourth day of the month.
- Vehicle inventory turned into the office by the second day of the month.

These timelines are not set in stone and can be adjusted to fit the needs of your dealership. There are a lot of things to do and it is easy to miss certain items when you are in a rush. I recommend developing a month-end checklist to be signed off by the appropriate people and kept in your month-end folder. The following is a sample list of items to consider putting on your checklist:

- Reconciliations such as cash, flooring and finance receivables have been completed from the previous month.
- Review summary schedules of all scheduled accounts and make adjustments as needed.
- Make sure necessary sales and payroll taxes have been filed.
- Physical inventory taken of all new and used vehicles and reconciled to accounting.
- Physical inventory of all rental vehicles taken.
- Make sure all payables are posted.
- Review all cancelled checks from previous month's bank statement.
- Make sure all new employee files have been completed.
- All wholesales and dealer trades have been turned into office for the month.
- Review aged contracts in transit and vehicle receivables with finance department.
- Review all fixed asset additions for the month.
- Make sure factory parts and incentive statements have been reconciled.
- Adjust allowance for doubtful accounts to set parameters.
- Review aging of new and used vehicle inventories.
- Periodically count petty cash.
- Make sure all distributions in S Corporations are proportional.
- Compare parts counter pad to general ledger balance.
- Review aged receivables with appropriate management.
- Do cycle counts of at least 20 parts.
- Make sure a current driving record has been obtained for all appropriate employees.
- Review trend analysis of all income and expense accounts.
- Review trial balance for unusual items.
- Review gross profit lines on operating statement for all vehicles for reasonableness.
- Finance chargebacks are charged against commissions earned.
- Review aging of parts over 12 months old.
- Make sure all accruals have been properly posted for the month.
- Make sure all standard entries have been posted.

This list is not all inclusive and your particular dealership may have other items it wants to include in the checklist.

If you have any questions regarding closing the month or any other questions with regards to your dealership, please do not hesitate to reach out to one of Henry & Horne, LLP's dealership professionals.

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