



THE CPA TUNEUP®

Summer 2013

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, trust & gift services; real estate appraisal and consulting; and valuation and litigation support services.

Your Automotive Team:

Brian Campbell, CPA

Wendell Peters, CPA

Henry Santostefano, CPA

Kane Lavin, CPA

Edward Hooper, CPA



Does Your Dealership Need a CPA Tuneup?

By Brian Campbell, CPA

It's common knowledge that vehicles need tuneups periodically to keep them running at their best, so why would your dealership be any different? During the Great Recession of 2007 to late 2009, many dealerships had to cut expenses. For many dealerships, the cutting of expenses probably resulted in the termination of employees, the closing of unprofitable dealership locations, renegotiation of certain contracts and a reduction in the use of outside consultants. This is no different than what consumers experienced with their vehicles. Consumers had to find ways to save money and part of these savings was prolonging general maintenance on their vehicles. As the great recession passed, consumers needed to revisit the general maintenance that was put off. They decided to either purchase a new vehicle or have their vehicles serviced. Again, your dealership is no different. As vehicle sales have increased each year since a 2009 year low of 10.4 million units, you have probably had to hire more staff, open new locations or enter into new contracts. One thing you may not have considered is a "Dealership CPA Tuneup".

A Dealership CPA Tuneup is just like it sounds. It takes any process critical to your dealership's financial health and examines them with a fresh eye. A CPA Tuneup may include the following:

- Examination of your dealership financial statements and the detailed steps behind the financial information flowing into these financial statements.
- Interviews with people who are intimately involved with the day-to-day workings of the accounting process. These employees usually know more about the detailed accounting processes than anyone. They simply don't have the big picture perspective to know its negative bottom line impact.
- Identification of weaknesses and determination of specific recommendations as to how to stop leaks and get profits flowing back to your bottom line.
- Training for you and your employees on implementing and establishing new, leak-proof processes.

A CPA Tuneup can focus on virtually any department in your dealership. Before deciding specifically where to focus a CPA Tuneup, our team will sit down with you and ask you some key questions to help determine which department might have the most potential for increased profitability. The answers to these questions, combined with your gut feelings about your company, will help you and our team decide where to focus the CPA Tuneup's efforts. Specific departments that a CPA Tuneup can focus on include:

- Accounting Department
- Human Resources Department
- Parts Department
- Bodyshop Department
- Service Department
- F&I Department

The day-to-day demands of running a dealership make it difficult to find time to look at the business from the big picture perspective. Maybe you've had a gut feeling about a specific part of your business that is not running as profitably as it could. But you're not sure what the problem is -- much less the answer. A CPA Tuneup can pinpoint the issue, help to resolve it, and increase the profits of your business. No matter what area of the business you're concerned about. Please do not hesitate to contact one of Henry & Horne's dealership professionals if you are interested in having a CPA Tuneup on your dealership.

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



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www.henryandhorne.com



extra PARTS

According to the 2013 Automotive Accessory Market Report released in April by Foresight Research of suburban Detroit, if you want to sell more accessories to buyers you have to focus on women and baby boomers who are only asked 29% of the time in comparison to men who get asked 40% of the time.

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According to a Frontier Group study, young people (ages 16-34) are returning to big cities and walkable suburbs, are more interested in saving the planet, and are still worried about the economy leading to less in driving and owning a car than their counterparts.

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According to an eBay study, 94% of millennial car buyers gather their information online, with more than a third of them using their mobile devices to do that research.



Monitoring Expenses

By Kane Lavin, CPA

One of the jobs most controllers and office managers are required to do is monitor expenses. This task is made easier by having the computer setup properly to help them review the accounts that contain expense items. Let's first look at the various ways expenses are posted to the general ledger.

The majority of expenses are posted through the accounts payable function. It is important to remember not all payables are expenses. There are plenty of assets, such as fixed assets and inventory, that are also setup through the accounts payable function. Another way expenses are posted to the general ledger is through the cash disbursements journal as a direct expense and the payroll journal for payroll and payroll tax expenses. They may also be posted through the standard entries journal, such as accruals for property taxes and insurance expense. The final way expenses are posted to the general ledger is through the general journal in the form of journal entries.

One of the most important things to have setup in the computer system is a description requirement on specific accounts or journals. You don't necessarily need a description for every transaction, but certain journals and accounts with descriptions make reviewing and investigating certain expenses a lot easier. Another important computer setup is to have the computer system retain detail on all accounts. This goes for both balance sheet accounts and profit and loss accounts. This is important when you are trying to figure out what makes up the balance in a specific account.

Computer systems generally have some sort of trend analysis report to help us monitor the amount of expense in each account each month. This lets you compare each account on a monthly basis with that same account for previous months. For example, Reynolds and Reynolds has a trend analysis report that compares expenses over the current month and the previous 11 months and also computes an average for those 12 months. The executable for the trend analysis report in Reynolds and Reynolds is "0424". If you're not sure your accounting system has a trend report, you should contact them and find out. This is a very valuable tool to monitor expenses.

Now that we have covered some of the important computer setups, let's talk about our monthly procedures to monitor expenses. The first thing to do is to have some sort of expectation or budget amount for the various expense accounts. Some accounts are easier than others to set those expectations. Rent would be an easy account, while policy adjustments may vary from month to month. As part of the month-end close you should run a trend analysis for all accounts you are monitoring. If the account balance is not in line with your budget or expectation, you will want to investigate the detail of that account. You may also just run general ledger detail for the month of all expense accounts and review the detail as you deem necessary.

I hope this helps you in the monitoring of expenses. If you have any questions regarding these ideas and suggestions, please feel free to contact me.

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



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