



TYLER, SIMMS & ST. SAUVEUR, P.C.  
Certified Public Accountants & Business Consultants

# DEALER VISION

YOUR SUCCESS IS OUR BUSINESS

Tyler, Simms & St. Sauveur

is a CPA firm dedicated to providing accounting and consulting services to the automotive industry.

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## WHAT CAN I DO TO MAKE MY BUSINESS BETTER

You have probably asked yourself this question many times. Or you have talked about it at your 20 group meeting. Other dealer friends across the country might have asked you the same question.

Everyone is always looking for the silver bullet to increase their revenues and net profits, improve cash flow and net worth the quickest and easiest. There are no easy answers to these questions. Everyone's dealership is the same but they are different. This sounds like an oxymoron, but it is true.

When a dealer contacts us to find out what they can do better, a number of questions come to mind. First I want to get familiar with the last two to three years of operations by comparing balance sheets and income statements side by side. I also want to add the most current year to date balance sheet and income statement to the prior year's comparative spreadsheets.

Once I have this information in a spreadsheet, I can project out the balance of the current year to see how the

current projected 12 months will look next to the prior year's information. I can then insert additional columns between the years to calculate and see the net change in all of the accounts from one period to another. This will help me review if there was an increase in sales from one year to another, what the other changes were in cost of sales and expenses to see if they stayed in line percentage wise.

I now have the historic information in a format I can work with. I need to talk with the dealer and find out what their future plans are. How fast do they want to grow the business? What are their one, two and five year goals? What is their cash flow like today versus what they want it to be? Do they want to reduce debt? Do they want to decrease income taxes? How do they get the business ready to turn over to the next generation and still provide income and cash flow for the rest of their lives? These and many other questions need to be discussed to find what direction the business needs to go in to achieve the goals of the dealer.

One of the first things I look for in the historic information is consistency. Have the fixed expenses stayed somewhat the same even though sales have increased? Have the variable expenses changed in relation to the sales or have some of them changed more than others? By reviewing the financial information and looking for these relationships, I can see how consistent the business has been. This will be a clue to see what the dealership may look like with the changes we suggest or the dealer wants to make.

The next thing we will do is compare the dealer's financial information to various industry guidelines to see if they are performing better or worse than the competition. We may also compare the information to what some of our better performing clients are attaining in their stores. This gives us an idea of where improvements can be made, and what the result is to the net profit and/or net worth. We can easily do this by dropping this information next to the historic



information on the spreadsheets and calculating the improvements

Since your dealerships have many different departments, there are normally many areas to improve. It is very hard to get a dealership to operate on all eight cylinders at the same time. A dealer may concentrate on the front end of the store because they are more comfortable with it, and pay less attention to the back end. As a result it seems the parts, service and body shop areas are prime areas to start first. There are so many different ways to improve your back end because there are many different types of sales in each department. You also will need to review the various inventories, such as parts, miscellaneous inventories and work in process to see if they are overage, in excess of what you need to generate the sales you are currently achieving, etc. By comparing gross profit percentages against our best dealers or the industry guides, the improvement to the net profit can be calculated based on the sales volume the store is currently at or the dealer wants to achieve.

Average gross profits on new and used vehicles are another area to review for improvements. While doing this, you definitely have to look at new and used inventories to make sure you have the correct inventories which are current, the right mix of vehicles for your market area and the right amount of dollars to achieve the best gross and inventory turns.

When you have all of this information in front of you, it can get overwhelming. What you need to do is to concentrate first on the areas you already know need improvement and which will make the most difference to your bottom line. In parts and service it can be as easy as changing the pricing matrix setups to achieve the gross profits you should be making. Then you can worry about how to increase the sales volume. In the new and used departments it is much tougher. Having the correct inventory is always the first place to start. The next is having a well trained sales staff which can maximize the profits and customer service you need to stay competitive.

## TAX TIP

## PROTECTING & SECURING YOUR IDENTITY

Many of us use the same sign-on and password over and over for our online accounts. Once a criminal has your password for one account, it's highly likely you've used the same sign-on information for other accounts.

The IRS, state revenue departments and the tax industry have teamed up to combat identity theft in the tax arena. That's why they have all agreed to new stronger standards that will safeguard your information when you access your tax software products for 2016 and file your taxes. These include:

- A password that has eight or more characters, including upper case, and lower case letters as well as numbers and a special character.
- New features include a timed lockout and limits on unsuccessful log-in attempts.
- You must complete three security questions.
- Tax software partners must verify email addresses. In many cases, this means a PIN will be sent to your email or text that you must use to verify your address before you can proceed with your tax software.

These are just a few of the new protections that will be in place for the 2016 tax season to protect you from identity thieves. Most of the protections may not be visible, but they will add layers of protection nonetheless, adding new and stronger protections during tax time.

It's a good time for you to think about the passwords you use for other accounts. You should always use strong passwords with a mix of letters, numbers and special characters. Do not use the same password for multiple accounts. The longer, the better. And change your passwords regularly.

You should consult with your ATA representative to insure the measures and steps used by him/her in protecting your identity and tax information.