

2026 SUBARU DEALER FINANCIAL STATEMENT STANDARDS

**SUBARU OF AMERICA, INC.
Camden, New Jersey**



SUBARU

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



PREFACE

The Subaru Dealer Financial Statement is among the simplest and most straightforward in the industry. Even so, questions will arise concerning Subaru of America policy regarding appropriate allocation of monies to accounts. This SUBARU DEALER FINANCIAL STATEMENT STANDARDS is intended to assist retailer personnel to resolve such issues. While this manual is comprehensive, it cannot be all-inclusive. Any questions not specifically addressed herein should be directed to appropriate personnel at the retailer's facing regional or distributor office. It should be noted, though, that in cases where these standards conflict with tax or other laws, such laws should be followed. Competent tax or accounting advisors can assist in making such determinations.

The account sequence of this manual follows the statement from Page 1 through Page 6.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



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FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS



Balance Sheet

Page 1

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Cash & Contracts

Line 1 Account 200 – Petty Cash

DEBIT with:

1. The amount set aside when the petty cash fund is established.
2. Any increase in the amount of the fund.

CREDIT with:

1. Any decrease in the petty cash fund.

Remarks:

- The petty cash fund is used for small purchases which cannot conveniently be paid by check, and for use as a change fund.
- The amount of the petty cash fund should be held to minimum requirements. Large sums, including payroll and payroll advances, should not be paid out of the petty cash fund. Cash received in the regular course of business should not be commingled with petty cash.
- Each disbursement from the fund should be recorded and explained on a petty cash voucher. Petty cash vouchers should be pre-numbered and issued in numerical sequence. All vouchers must be accounted for and none destroyed. If for any reason a voucher is unusable, it should be marked "Void" and filed in proper numerical order with the other vouchers.
- Vouchers should be prepared in ink and approved by the proper personnel. The voucher serves as a receipt from the person receiving the money. Paid invoices should be attached to related vouchers supporting the disbursement of funds. Each voucher should be summarized on a petty cash summary. As often as necessary, and always at month end, a check should be issued reimbursing the fund and each voucher should be charged to the proper account.
- The sum of all petty cash vouchers on hand, plus actual cash, should always equal the amount of the petty cash fund. Checks issued to reimburse the fund should be made payable to the custodian of the fund (for example, "J. B. Doe – Petty Cash").

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Cash & Contracts

Line 1 Account 201 – Cash on Hand

DEBIT with:

1. All cash received.
2. Cash overages.

CREDIT with:

1. All daily bank deposits.

Remarks:

- Cash on hand is a clearing account for all cash received in the normal course of daily business and not yet deposited in the bank. All cash received should be deposited the next banking day.
- All cash received, regardless of the source, should pass through the hands of the cashier, or other authorized person, for proper recording. If using a manual system, it is important that individual, pre-numbered cash receipts be used.
- Receipts that are voided should carry an explanation thereon and all copies intact. Voided receipts should be co-signed by the General Manager be recorded in the cash receipts journal in numerical sequence with other receipts to provide an audit trail.
- All checks should be endorsed with the retailer's bank deposit stamp **immediately** upon receipt, which will safeguard both the retailer and the customer in the event a check is lost or stolen.
- Cash overages and shortages should be recorded daily. Overages should be recorded in the cash receipt book and included in the bank deposit. Shortages should be reimbursed from the petty cash fund, with an explanation on the corresponding petty cash voucher.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Cash & Contracts

Line 2 Account 202 – Cash in Bank

DEBIT with:

1. The total of all cash deposited.
2. Stop payment order on issued checks that may be lost or incorrect.
3. Contracts and drafts deposited by a third party, such as sight drafts.
4. Bank credit memorandums issued.

CREDIT with:

1. The amount of all checks issued.
2. Bank debit memorandums issued.
3. Returned customer checks.

Remarks:

- Cash In Bank represents the amount of cash on deposit. Separate general ledger accounts may be established if several bank accounts are maintained (such as 202A, 202B, etc.). These should be combined on the Subaru Dealer Financial Statement.
- Daily receipts should be deposited every day. Night depository facilities should be used on business days when banks are closed and when sizable amounts of cash are received after office hours.
- The check protector/writer (if used) and all unused checks should be properly safeguarded to minimize possibility of being stolen, lost, or misused.
- Deposit slips should be prepared in triplicate: original retained by bank; duplicate authenticated by bank and returned to retailer; and triplicate authenticated by bank and returned directly to dealer's attention by bank.
- All checks should be listed on the deposit slip indicating the aba bank number and the name of the maker. This procedure will facilitate identification of all receipts being deposited.
- Voided retailer checks should remain intact and the signature area punched or removed to preclude possible future use. Voided checks should be recorded in the cash disbursement journal in their proper numerical sequence to provide an audit trail.
- Bank service charges, chargeback's, and other bank debit memorandums should be properly and promptly recorded in the cash disbursement journal so that a current "bank balance" can be accurately and readily ascertained.
- The month-end general ledger balance should be reconciled with the balance shown on the bank's statement. It is important that all bank accounts are reconciled monthly and that all variances are immediately resolved and recorded as applicable.
- Cash in Bank should include savings deposits, time deposits; and certificates of deposits. Securities should be recorded separately in Securities (Account 260).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Cash & Contracts

Line 3 Account 205 – Contracts in Transit

DEBIT with:

1. The net amount (unpaid balance) of customer finance contracts offered and/or submitted to financial institutions.

CREDIT with:

1. The amount(s) received from finance contracts accepted.

Remarks:

- Contracts in Transit represent the amount due from finance institutions on customer finance contracts.
- Finance contracts should be reviewed daily to determine that remittances are received promptly. Any contracts or balances outstanding more than three days should be investigated to determine the cause of the delay and any issues resolved.
- The customer's purchase order, vehicle sales invoice, and the finance contract details should correspond; discrepancies may lead to legal complications.
- Contracts in transit should not be confused with Vehicle Accounts Receivable (Account 222).
- At month-end, the Contracts in Transit account balance should be reconciled with a detailed schedule by stock number, customer name, or VIN number.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Receivables

Line 5 Account 222 – Vehicle Accounts

DEBIT with:

1. The amounts of vehicle sales to customer on open account.
2. Vehicle customers' checks returned by the bank uncollected.
- 3.

CREDIT with:

1. The amount of vehicle account payments received, not associated with a finance contract.
2. Appraised value of used vehicles taken in trade (See NOTE)
3. Accounts determined to be uncollectible.

Remarks:

- The account balance represents the total of all unpaid balances in the vehicle accounts receivable subsidiary ledger, for all open account sales (including non-automotive and other automotive merchandise) sold by the New and Used Vehicle Departments.
- To minimize collection problems each open account balance should be secured by a contract (discountable at a finance company or bank), or by a properly executed purchase order for commercial, fleet, or municipal accounts.
- The Sales Manager, or other authorized person, should verify that all vehicle documents are in order and that all cash due on each vehicle sale has been received before the vehicle is released to the customer.
- Each week, individual customer account balances should be reconciled with collection follow-up. The total of the amounts listed in the schedule should agree with the balance in this account.
- Deposits received from customers on future sales should be credited to Customer Deposits (Account 304).
- Collection follow-up information should be recorded in the Dealer Management System and on the accounts receivable schedule prepared each month-end.
- A comprehensive receivable aging analysis is provided at the bottom of Page 1 of the Subaru Dealer Financial Statement. A diligent, timely, and systematic collection effort of all accounts will lessen bad debt losses.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Receivables

Line 6 Account 220 – Customer Accounts

DEBIT with:

1. The amount of sales of service, parts & accessories, and body shop sold to customers on open account.
2. C.O.D. shipments of parts & accessories sold to customers.
3. Customers' checks used to pay on account returned by bank.

CREDIT with:

1. Payments received from customers on service, parts & accessories, and body shop on open account.
2. Cash discounts allowed for prompt payment.
3. Credit memorandum issued to customers for service, parts & accessories, and body shop adjustments.
4. Accounts determined to be uncollectible.

Remarks:

- Customer Accounts represents the total of all unpaid balances in the accounts receivable subsidiary ledger, for all open account sales (including non-automotive, other automotive merchandise, and extended service contract claims) by the Service, Parts and Accessories, and Body Shop Departments.
- The responsibility of extending credit and collection activities should be delegated to one person only. New accounts should be added only after a complete credit investigation has been made.
- Credit, once established, should be continued only as long as the customer maintains a current account balance. Collection follow-up action should be taken as soon as the account becomes past due. Collection follow-up information should be recorded in the DMS system, and on the accounts receivable aged analysis prepared each month-end.
- For the purpose of aging, the due date of all customer receivables should be upon receipt of monthly statement, or by the 10th of the following month at the latest.
- A comprehensive receivable aging analysis is provided at the bottom of Page 1 of the Subaru Dealer Financial Statement. A diligent, timely, and systematic collection effort of all accounts will lessen bad debt losses.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Receivables

Line 7 Account 227 – Factory Receivables – Subaru

DEBIT with:

1. New Vehicle Incentives due from SOA.
2. Advertising expenditures which are reimbursable from the cooperative advertising fund and have been submitted for payment.
3. The amount due from SOA/Distributor/Manufacturer for pre-delivery inspections.
4. All others Subaru receivables not otherwise provided for.

CREDIT with:

1. Cash or credit amounts received applicable to items in this account

Remarks:

- Vehicle incentives due from the factory should be properly recorded and scheduled to this account at the time of sale using the stock number or VIN# as control.
- Reimbursement for Subaru pre-delivery inspections is triggered when the vehicle is drafted.
- Adequate subsidiary records must be maintained to substantiate each type of receivable account.
- Each month the individual accounts should be scheduled and the amounts should be reconciled with the general ledger.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Receivables

Line 8 Account 221 – Factory Receivables – Other

DEBIT with:

1. Advertising expenditures which are reimbursable from the cooperative advertising fund and have been submitted for payment.
2. The amount due from Other Distributors/Manufacturers for pre-delivery inspections.
3. All Other Manufacturer receivables not otherwise provided for.

CREDIT with:

1. Cash or credit amounts received applicable to items in this account

Remarks:

- Adequate subsidiary records must be maintained to substantiate each type of receivable account.
- Each month the individual accounts should be reconciled and followed up for payment.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Receivables

Line 9 Account 226 – Warranty Receivables

DEBIT with:

1. The amount of claims submitted to SOA/Distributor/Manufacturer for warranty work.
2. The amount of transportation and marine damage claims submitted to SOA/Distributor/Manufacturer.

CREDIT with:

1. All cash and/or credits received applicable to such claims.
2. The amount of disallowed claims.
3. Any variance between the amount claimed and the actual amount paid.

Remarks:

- Warranty Receivables is a control account and the total of the individual open claims listed in the warranty sales journal/claims register should agree with this general ledger account balance each month-end.
- Warranty service records must be maintained in accordance with current Subaru warranty policy.
- The offsetting entry for variances (overages, shortages, or denials) between the amount claimed and the amount credited should be charged to the responsible department's Account 67 – Policy Work Expense.
- A month-end schedule should be prepared showing the amount of each unpaid claim. Any difference between the total of this schedule and the account balance should be investigated and adjusted through the responsible department's Policy Work Expense, Account 67.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Receivables

Line 10 Account 223 – Warranty Receivables- Other

DEBIT with:

1. The amount of claims submitted to Other Distributors/Manufacturers for warranty work.
2. The amount of transportation and marine damage claims submitted to Other Distributors/Manufacturers.

CREDIT with:

1. All cash and/or credits received applicable to such claims.
2. The amount of disallowed claims.
3. Any variance between the amount claimed and the actual amount paid.

Remarks:

- Warranty Receivables is a control account and the total of the individual open claims listed in the warranty sales journal/claims register should agree with this general ledger account balance each month-end.
- The offsetting entry for variances (overages, shortages, or denials) between the amount claimed and the amount credited should be charged to the responsible department's Account 67 – Policy Work Expense.
- A month-end schedule should be prepared showing the amount of each unpaid claim. Any difference between the total of this schedule and the account balance should be investigated and adjusted through the responsible department's Policy Work Expense, Account 67.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Receivables

Line 11 Account 228 – Finance Income Receivables

DEBIT with:

1. The total amount of finance income earned on installment contracts sold by the retailer.
2. The portion of finance income that becomes free of any contingencies.

CREDIT with:

1. The amount received in settlement of finance income.
2. The amount of deferred finance income which is being held by the finance institution to apply against future contingencies.

Remarks:

- Finance Income Receivables includes such items as:
 - That portion due the dealer upon which immediate claim can be made;
 - That portion exceeding the "retention amount" of the outstanding finance liability;
 - That portion exceeding "special" or "hold reserves" as stipulated in the retail financing agreement; and any combination of these and/or other conditions of the retail financing agreement.
- Each individual financing institution may vary in its dealers' participation and payment plan. Income should be calculated and recorded on an individual contract basis at the time the sale is recorded in the vehicle sales journals.
- The financing institution normally will furnish the dealer the amount of reserve and insurance commission earned on each contract. The retailer should obtain a statement from each financing institution (preferably monthly) that indicates in detail each interim charge and credit since the last statement rendered.
- Separate general ledger sub-accounts should be established for each financing institution (for example, 228A – ABC Credit Co., 228B – XYZ National Bank, etc.).
- The balance in this account should be reconciled with the statement received, clearly defining the current and deferred amounts. Any variances should be located, their source determined, and proper action promptly made to either rectify the debt, or reclassify the unpaid or overpaid balance. All variances should be reported to F&I Management.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Receivables

Line 11 Account 229 – Insurance Income Receivables

DEBIT with:

1. The total amount of insurance commissions earned on insurance policies sold by the retailer.
2. The portion of insurance income that becomes free of any contingencies.

CREDIT with:

1. The amount received in settlement of insurance commissions.
2. The amount of deferred insurance commissions which is being held by an insurance company to apply against future contingencies.

Remarks:

- Insurance Income Receivables represents the amount of commission due the dealer upon which immediate claim can be made.
- Each provider will have its own participation and payment plan. Income should be calculated and recorded on an individual contract basis at the time the sale is recorded in the vehicle sales journals.
- A provider will ordinarily furnish the dealer the amount of insurance commission earned on each contract. The retailer should obtain a monthly (or, at least, quarterly) statement from each provider, indicating in detail each interim charge and credit since the last statement rendered.
- Separate general ledger sub-accounts should be established for each provider (for example, 229A – ABC Insurance, 229B – XYZ Life & Health Co., etc.).
- The balance of this account should be reconciled upon receipt of each statement, clearly defining the current and deferred amounts. Any variances should be located, reported to F&I management, their source determined, and action promptly made to either rectify the debt, or reclassify the unpaid or overpaid balance.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Receivables

Line 12 Account 224 – Intercompany Receivables – Short Term

DEBIT with:

1. Amount due from other dealerships in the dealer group that the Subaru dealerships purchases goods and services on behalf of. Use this account if the debts are paid off monthly by related dealerships, e.g., exchange of funds occurs on a monthly basis between stores.

CREDIT with:

1. Payments from other dealerships, or credits for returned or refunded/adjusted items.

Remarks:

- As in all Accounts Receivable accounts, it is necessary to maintain a detailed schedule. This schedule should include:
 - Vehicle invoice Date
 - Description of goods or services purchased on behalf of other dealership(s)
- All outstanding items after the payment period should be promptly followed up to determine action necessary to clear the receivable.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Receivables

Line 13 Account 218 – Holdback Receivables – Subaru

DEBIT with:

- a. Amount due from Subaru for factory holdback on new vehicles invoiced to the retailer.

CREDIT with:

1. Credit memo from Subaru in payment of factory holdback for new vehicles invoiced to retailer during the payment period.

Remarks:

- As in all Accounts Receivable accounts, it is necessary to maintain a detailed schedule. This schedule should include:
 - Vehicle Identification Number
 - Amount of Holdback per factory invoice
 - Vehicle invoice Date
 - Other pertinent details to the claim
- All outstanding items after the payment period should be promptly followed up to determine action necessary to clear the receivable. When trading vehicles with other retailers, it should be decided up front whether dealers are trading holdback as well. All holdback is paid to the ORIGINALLY INVOICED dealer.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Receivables

Line 14 Account 219 – Holdback Receivables – Other

DEBIT with:

1. Amount due from other manufacturers for factory holdback on new vehicles invoiced to the retailer.

CREDIT with:

1. Credit memo from Other Manufacturers in payment of factory holdback for new vehicles invoiced to retailer during the payment period.

Remarks:

- As in all Accounts Receivable accounts, it is necessary to maintain a detailed schedule. This schedule should include:
 - Vehicle Identification Number
 - Amount of Holdback per factory invoice
 - Vehicle invoice Date
 - Other pertinent details to the claim
- All outstanding items after the payment period should be promptly followed up to determine action necessary to clear the receivable. When trading vehicles with other retailers, it should be decided up front whether dealers are trading holdback as well.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS



CURRENT ASSETS – Receivables

Line 15 Accounts 340 – Allowance for Doubtful Accounts

DEBIT with:

1. The amount of the monthly adjustment reducing the balance of this account.
2. All receivables determined to be uncollectible.

CREDIT with:

1. The amount of the monthly adjustment increasing the balance of this account.
2. The amounts recovered on receivables previously written off as uncollectible in the same accounting year.

Remarks:

- The balance in this account should be established and adjusted (debit or credit) each month-end to equal the total of the following:
 - Service, parts and vehicle receivables over 90 days past due;
 - Service, parts and vehicle receivables construed to be worthless, regardless of their age (this category should include customer checks returned by the bank, debtors who have gone out of business, etc.);
 - all other notes over 90 days past due, or otherwise construed to be worthless, regardless of their age; and
 - All employee account balances over 90 days past due, or whose services have been terminated.
- The balance may also be established and adjusted at each month-end on a basis determined by past experience.
- The offsetting entry for the Allowance for Doubtful Accounts should be made to Bad Debt Expense (Account 69).
- Where accounts are collected by a credit and collection agency, the portion of the account that is retained by such agency should be charged to Outside Services Expense (Account 68). The total amount collected should be credited to the individual's receivable account.
- All receivables charged off as being uncollectible (actually written off) should be removed from the subsidiary ledger and retained in a Bad Debt file for future reference. Accounts written off as bad debts should be properly documented detailing the collection effort and the reasons for declaring the debt uncollectible.
- Proper approval should be obtained on all uncollectible accounts prior to their write-off.
- Proper credit investigation and approval processes within the retailer prior to granting of credit will minimize bad debt losses.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – New Vehicles

Line 17 Account 230A – Demonstrators – Subaru

DEBIT with:

1. Inventory value of new Subaru vehicles placed in demonstrator service including all dealer installed accessories and equipment.

CREDIT with:

1. Inventory value of Subaru demonstrators sold or removed from demonstrator service.
2. Cost of accessories or equipment removed from a Subaru demonstrator.

Remarks:

- When a vehicle is placed into demonstrator service, the transaction should be handled as an inventory transfer; it should not be recorded as a new car sale until the vehicle is sold to the ultimate consumer.
- Physical inventory of demonstrators should be taken periodically, and always at month-end, and reconciled to the balance of this account.
- A subsidiary vehicle inventory record should be maintained for each vehicle in demonstrator service and maintained in a file separately from those vehicles in the new car inventory.
- The registration, titling, and licensing of demonstrators should be handled in compliance with respective state laws and charged to in Demonstrator Expense (Account 16).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – New Vehicles

Line 18 Account 230B – Demonstrators – Other

DEBIT with:

1. Inventory value of new non-Subaru vehicles placed in demonstrator service including all dealer installed accessories and equipment.

CREDIT with:

1. Inventory value of non-Subaru demonstrators sold or removed from demonstrator service.
2. Cost of accessories or equipment removed from a non-Subaru demonstrator.

Remarks:

- When a vehicle is placed into demonstrator service, the transaction should be handled as an inventory transfer; it should not be recorded as a new car sale until the vehicle is sold to the ultimate consumer.
- Physical inventory of demonstrators should be taken periodically, and always at month-end, and reconciled to the balance of this account.
- A subsidiary vehicle inventory record should be maintained for each vehicle in demonstrator service and maintained in a file separately from those vehicles in the new car inventory.
- The registration, titling, and licensing of demonstrators should be handled in compliance with respective state laws and charged to in Demonstrator Expense (Account 16).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – New Vehicles

Line 19 Account 231A – New Vehicles – Subaru

DEBIT with:

1. The distributor cost of all new Subaru vehicles including accessories and options (factory installed), inspections and port services, and other related charges.
2. The internal cost of equipment and accessories installed at the retailer including installation labor.

CREDIT with:

1. Inventory value of all new Subaru vehicles sold, transferred to other dealers, placed in demonstrator service or company service or otherwise disposed of.
2. Internal cost of accessories removed from new Subaru vehicles.

Remarks:

- New vehicles should be recorded in the new vehicle purchase journal upon the receipt into inventory and also on the subsidiary new vehicle inventory record.
- New vehicles placed in retailer service (demonstrator, lease, driver education, etc.) should be transferred by general journal entry to the appropriate inventory account. The vehicle inventory record should be removed from the respective new vehicle inventory and updated with sufficient information reflecting the inventory transfer.
- Proper procedure should be established to assure that all equipment or accessories added to a new vehicle or removed from a new vehicle are properly recorded on the new vehicle inventory record.
- Any differences between the physical inventory and the book inventory should be resolved prior to the month-end closing.
- Dealers using the LIFO method of accounting should refer to Reserve for LIFO – New Vehicles ([Account 232](#)).
- Holdback included in the factory invoice total should not be included in the inventory value of new vehicles. This amount should be deducted from the vehicle invoice total and debited to Holdback Receivables – Subaru (Account 218).
- In all instances where new vehicles are purchased from, sold to, or traded with other dealers, they are considered TRANSFERS and should, therefore, be recorded in the new vehicle purchase journal, not in the vehicle sales journal.
- When new vehicles are transferred between dealers and the holdback is included in the price of the new vehicles being transferred, the procedure is as follows:
 - New vehicles sold to another dealer – holdback received from the dealer purchasing the new vehicle should be credited to the Cost of Sales account for that model.
 - New vehicles purchased from another dealer – holdback paid to the dealer selling the new vehicle should be debited to the Cost of Sales account for that model.
 - New vehicles traded between dealers – holdback applicable to new vehicles traded between dealers should be handled as outlined in Items 1 and 2 above.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – New Vehicles

Line 21 Account 231B – New Vehicles – Other

DEBIT with:

1. The cost of all new vehicles (other than Subaru) including factory installed accessories, freight and other related charges.
2. The internal cost of equipment and accessories installed at the retailer including installation labor.

CREDIT with:

1. Inventory value of all new vehicles (other than Subaru) transferred to other dealers, placed in demonstrator service or otherwise disposed of.
2. The internal cost of equipment and accessories removed from vehicles (other than Subaru).

Remarks:

- New vehicles should be recorded in the new vehicle purchase journal upon the receipt into inventory and also on the subsidiary new vehicle inventory record.
- New vehicles sold or transferred to other dealers should also be recorded in the new vehicle purchase journal.
- New vehicles placed in retailer service (lease, driver education, etc.) should be transferred by general journal entry to the appropriate inventory account. The vehicle inventory record should be removed from the respective new vehicle inventory and up-dated with sufficient information reflecting the inventory transfer.
- Proper procedure should be established to assure that all equipment or accessories added to a new vehicle or removed from a new vehicle are properly recorded on the new vehicle inventory record.
- Any differences between the physical inventory and the book inventory should be resolved prior to the month-end closing.
- Dealers using the LIFO method of accounting should refer to Reserve for LIFO – New Vehicles ([Account 232](#)).
- Holdback included in the factory invoice total should not be included in the inventory value of new vehicles. This amount should be deducted from the vehicle invoice total and debited to Holdback Receivables - Other ([Account 219](#)).
- In all instances where new vehicles are purchased from, sold to, or traded with other dealers, they are considered TRANSFERS and should, therefore, be recorded in the new vehicle purchase journal, not in the new vehicle sales journal

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – New Vehicles

Line 23 Account 232 – Reserve for LIFO – New Vehicles

DEBIT with:

1. The amount of adjustment needed to *decrease* the reserve (as determined from the LIFO valuation).

CREDIT with:

2. The amount of adjustment needed to *increase* the reserve (as determined from the LIFO valuation).

Remarks:

- This account is provided for those dealers adopting the last-in, first-out (LIFO) method of inventory valuation for new vehicles.
- The actual inventory value should be reflected in new vehicle inventory accounts 230A, 230B, 231A, and 231B.
- LIFO inventory valuation is very complicated and has very strict rules and regulations. It is recommended that retailers only utilize this account under the direction of a proper tax authority and/or certified public accountant.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 25 Account 239 – Used Subaru Vehicles

DEBIT with:

1. The actual dealer cost of all used Subaru vehicles taken in trade or purchased, including related charges e.g., fees paid to outside buyers, auction fees, etc.
2. The internal labor and material amounts to recondition Subaru vehicles in inventory.

CREDIT with:

1. The inventory value (including reconditioning costs) of used Subaru vehicles that are sold or transferred to company use.
2. The amount of write down resulting from re-appraisals.

Remarks:

- Reconditioning costs should be carefully estimated when the unit is purchased. Proper preparation of the used vehicle appraisal at the time the unit is appraised will aid in determining what reconditioning is required and its relative costs.
- Actual reconditioning costs of each unit should be compared with the estimated reconditioning cost made at the time of the original appraisal. Large variances should be reviewed by the dealer with the used car manager, the appraiser, and the service manager or used car reconditioning manager.
- A subsidiary used inventory should be maintained and mark-downs recorded.
- A monthly physical inventory of used vehicles with full reconciliation to the inventory records is highly recommended.
- The portion of used Subaru vehicles in inventory aged 31 days or greater (dollars and units) should be combined with used other make vehicles in inventory aged over 30 days and shown as a memo in the appropriate spaces next to used vehicle inventories on page 1 of the Subaru Financial Statement.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 27 Account 240 – Used Vehicles – Other

DEBIT with:

1. The actual dealer cost of other make used vehicles taken in trade, purchased, or repossessed, including related charges, e.g., fees paid to outside buyers, auction fees, etc.
2. The internal labor and material amounts to recondition vehicles in inventory.

CREDIT with:

1. The inventory value (including reconditioning costs) of used other make vehicles sold, transferred to company use, or junked or scrapped.
2. The amount of write down resulting from re-appraisals.

Remarks:

- Reconditioning costs should be carefully estimated when the unit is accepted. Use of a used vehicle appraisal form will aid in determining what reconditioning is required and its relative costs.
- Actual reconditioning costs of each used unit should be compared with the estimated reconditioning cost made at the time of the original appraisal. Large variances should be reviewed by the dealer with the used car manager, the appraiser, and the service manager or used car reconditioning manager.
- A subsidiary Used Vehicle Inventory should be maintained and mark-downs recorded.
- Used vehicles should be physically inventoried each month-end, reconciled with the inventory records and the balance in this account.
- The portion of used other vehicles in inventory aged 31 days or greater (dollars and units) should be combined with used program vehicles inventory aged over 30 days and shown as a memo in the appropriate spaces next to Used vehicle inventories on page 1 of the Subaru Financial Statement.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 29 Account 241 – Reserve for LIFO – Used Vehicles

DEBIT with:

1. The amount of adjustment needed to *decrease* the reserve (as determined from the LIFO valuation).

CREDIT with:

1. The amount of adjustment needed to *increase* the reserve (as determined from the LIFO valuation).

Remarks:

- This account is provided for those dealers adopting the last-in, first-out (LIFO) method of inventory valuation for used vehicles.
- The actual inventory value should be reflected in used vehicle inventory accounts ([Account 239](#)) and ([Account 240](#)).
- LIFO inventory valuation is very complicated and has very strict rules and regulations. It is recommended that retailers ONLY utilize this account under the direction of a proper tax authority and/or certified public accountant.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 31 Account 242A – Parts & Accessories – Subaru

DEBIT with:

1. The cost of all Subaru parts and accessories purchased, regardless of the source.
2. The increase in book value for Subaru parts and accessories on hand as disclosed by physical count.

CREDIT with:

1. The cost of all Subaru parts and accessories sold.
2. The decrease in book value for Subaru parts and accessories on hand as disclosed by physical count.
3. The write-off at cost of all obsolete and scrapped Subaru parts and accessories removed from inventory.

Remarks:

- Incentives and discounts earned on the quantity and method of purchase should not affect the inventory value but should be credited directly to Parts & Accessories Purchase Discount (Account 494A).
- Transportation charges should be debited to the Freight & Express/Postage (Account 76).
- Parts should be individually costed at dealer price as shown in the Subaru distributor parts price book. A percentage method of costing is not recommended.
- The offsetting entry for obsolete and scrapped parts should be Adjustment – Subaru P & A Inventory (Account 675A).
- Inventory control and maximization programs within the dealership DMS system should be utilized to assure purchases in quantities sufficient to obtain maximum discounts, minimize shrinkage losses, and avoid an unbalanced stock.
- It is recommended that parts and accessories on hand be verified by a physical inventory at least once each year and more often, if necessary.
- Dealers using the LIFO method of accounting should refer to Account 242C.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 32 Account 242B – Parts & Accessories – Other

DEBIT with:

1. The cost of all other manufacturer parts purchased, regardless of the source.
2. The increase in book value for other manufacturer parts on hand as disclosed by physical count.

CREDIT with:

1. The cost of all other manufacturer parts sold.
2. The decrease in book value for other manufacturer parts on hand as disclosed by physical count.
3. The write-off at cost of all obsolete and scrapped other parts removed from inventory.

Remarks:

- Parts and Accessories incentives and discounts earned on the quantity and method of purchase should not affect the inventory value but should be credited directly to Parts & Accessories Purchase Discount (Account 494B).
- Transportation charges should be debited to Freight and Express (Account 73).
- Parts should be individually cost at dealer price as shown in the other manufacturer's parts price book. A percentage method of costing is not recommended.
- The offsetting entry for obsolete and scrapped parts should be Adjustment P & A Inventory (Account 675B).
- Inventory control and maximization programs within the dealership DMS system should be utilized to assure purchases in quantities sufficient to obtain maximum discounts, minimize shrinkage losses, and avoid an unbalanced stock.
- It is recommended that parts and accessories on hand be verified by a physical inventory at least once each year and more often, if necessary.
- Dealers using the LIFO method of accounting should refer to (Account 242C).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 33 Account 244 – Gas, Oil & Grease

DEBIT with:

1. The cost of gas, oil, and lubricants purchased, including brake fluid, antifreeze, solvents, etc.
2. The adjustment required when the physical inventory is greater than the account (book) balance.

CREDIT with:

1. The inventory value of gasoline, oil, and lubricants sold or used internally.
2. The inventory value of brake fluid, antifreeze, solvents, etc. sold or used internally.
3. The adjustment required when the physical inventory is less than the account (book) balance.

Remarks:

- Close inventory control of this account is recommended to minimize shrinkage and other losses.
- A physical inventory should be taken each month-end and the balance of the account adjusted to agree with the actual value of materials on hand. The offsetting entry should be Cost of Sales – Gas, Oil and Grease (Account 690), or Cost of Sales – Gas, Oil and Grease – Express Service (Account 683).
- 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 weight while others are sold by volume. Costing methods and prices should be reviewed periodically to permit costing of material sold and dispensed to be as accurate as possible.
- Containers of material other than those being currently used should be kept in the parts department, when possible, to afford protection against losses.
- When gasoline is not carried in stock for resale, purchases may be charged directly to the appropriate expense account. Bulk purchases may be charged to Account 244 and internal consumption recorded as a direct relief of inventory by a charge to the appropriate expense account.
- Fuel oil purchases for heating purposes should not be charged to this account, but should be charged to Account 87 – Heat, Light, Power and Water.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 34 Account 245 – Paint & Body Shop Materials

DEBIT with:

1. The cost of paint and body materials purchased.
2. The cost of all body shop supplies (masking tape, sandpaper, etc.).
3. The adjustment necessary when the physical inventory is greater than the account (book) balance.

CREDIT with:

1. The inventory value of all body shop materials sold.
2. The cost of all body shop supplies sold or used.
3. The inventory value of rubbing compounds, upholstery cleaner, etc., sold or used.
4. The adjustment necessary when the physical inventory is less than the account (book) balance.

Remarks:

- The recording of purchases of all body and paint materials in an inventory account rather than charging them directly to operations at the time of purchase affords greater control of these materials and will assist in reducing losses.
- A physical inventory should be taken each month-end and the balance of this account adjusted to agree with the actual value of materials on hand. The offsetting entry should be to Cost of Sales – Paint, Material & Miscellaneous (Account 707).
- Inventories should be priced in accordance with the latest cost prices available – at the lower of cost or market value.
- In taking the monthly physical inventory, all applicable materials should be counted including those loose or in bulk form, except open items of less than a gallon, or other small quantities.
- The total cost of pint and quart cans of thinner and paint should be charged out as each can is opened. Once opened thinner evaporates and paint hardens, therefore, open cans should not be inventoried at month-end.
- Adequate internal controls should be maintained in dispensing these materials.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 35 Account 246 – Sublet Repairs

DEBIT with:

1. The cost of all sublet work purchased.

CREDIT with:

1. The cost of all sublet work sold.

Remarks:

- The entire amount of sublet work, including both labor and material, should be reflected in this amount.
- Since the account includes sublet work for mechanical and body and paint repairs, care should be exercised when recording the sales and cost of sales of these repairs since separate sales and cost accounts are provided.
- Taking into consideration the profit possibilities, sublet work should be constantly reviewed for the possibility of doing such work in-house.
- Individual purchases of sublet work should be authorized by a properly executed purchase order. The purchase order should be issued based upon 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, warranty, or 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 ensuring all sublet work is charged to the proper sources.
- Each month end, a schedule should be prepared listing the cost of each unsold sublet repair. Any differences between the total of this inventory schedule and the account balance should be located and proper adjustments made.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 36 Account 247 – Work in Process – Labor

DEBIT with:

1. The cost of all productive labor on uncompleted repair orders.

CREDIT with:

1. The cost of all productive labor sold on completed repair orders.
2. The adjustment required when the physical inventory is less than the account balance.

Remarks:

- This account balance represents the cost of all productive mechanical labor on repair orders in process at month-end. Labor which has been performed but which has not been billed as a sale due to incomplete work, etc., is an asset and should be recognized as such each month-end.
- Costing and inventory procedures should be carefully reviewed periodically, to preclude unnecessary "build-up" of this asset and possible losses at future date. Technician labor on repair orders deemed uncollectible should be charged to Adjustment Cost of Labor Sales (Account 657A or Account 657B).
- Each time technicians are given raises, the appropriate costing within the DMS system should be adjusted for those technicians.
- Compensation to productive service and body shop personnel for vacations, holidays, etc. should not be charged to this account. All such compensation to productive service and body shop personnel should be charged to Absentee Compensation (Account 24).
- Each month-end, this account balance should be in agreement with a physical inventory of incomplete repair orders. Any variance between the general ledger account balance and the detailed inventory list should be reconciled and adjusted.
- When technicians are employed on an "hourly" or "guaranteed basis", the amount paid, if any in excess of their productive earnings should be charged directly to Adjustment Cost of Labor Sales (Account 657A or Account 657B).
- When an individual is employed in a productive and utility capacity (such as porter, used car maintenance, etc.) the productive labor costs should be charged to this account. The utility time should be charged to the appropriate expense account.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 37 Account 249 – Tires

DEBIT with:

1. The cost of all tires and tubes purchased.
2. The net increase in the cost of tires and tubes exchanged and placed in stock.
3. The adjustment necessary when the physical inventory is greater than the account (book) balance.

CREDIT with:

1. The inventory value of tires and tubes sold.
2. The net decrease in the cost of tires and tubes exchanged and placed in stock.
3. The adjustment necessary when the physical inventory is less than the account (book) balance.

Remarks:

- Tires purchased through manufacturers' parts channels should be inventoried as regular parts.
- Cost of sales of tires and tubes should be determined for each sale.
- A physical inventory should be taken each month-end and reconciled with the balance in this account.
- The transfer of tires between vehicles, or special tires installed on new vehicles at the time of sale, should be properly documented and treated as inventory transfers with the net difference in cost adjusted to the proper inventory accounts.
- Inventory records should be accurately and currently maintained to minimize "shrinkage" losses, avoid an unbalanced stock, and maximize gross profit potential.
- Each month-end, this account balance should be in agreement with a physical inventory. Any difference between the book value and the physical inventory value should be debited or credited to Cost of Sales – Tires (Account 681).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 38 Account 250 – Non-Automotive Merchandise

DEBIT with:

1. The cost of both new and used non-automotive merchandise regularly stocked and intended for resale. This should include items such as appliances, boats, marine engines, golf carts, farm implements, hardware, snowmobiles, industrial engines, and parts related to these items.
2. The cost of any such item placed in demonstrator service.
3. The cost of labor and material for re-conditioning such used items.

CREDIT with:

1. The inventory value of merchandise sold or otherwise removed.
2. The write-down of inventory value based on reappraisal of used units.

Remarks:

- A physical inventory should be taken each month-end and reconciled with the balance in this account.
- A separate subsidiary inventory record for each unit should be prepared at the time of acquisition; listing the stock number, description, optional equipment, and unit cost.
- All new units should be recorded at the time of purchase in the new vehicle purchase journal.
- In all instances where new units are purchased from, sold to, or traded with other direct dealers, they are considered transfers and should, therefore, be recorded in the new vehicle purchase journal.
- Stock numbers should be assigned each unit in numerical sequence.
- Retailers engaged in the sale of tractors and farm implements, trailer homes and specialty trailers, boats and marine engines, appliances, etc. on a large scale, may find it advantageous to form a subsidiary company and accounting system. It is recommended that the dealer consult legal and tax counsel regarding the advantages, if any, of subsidiary or separate companies.
- This account should NOT be used for boats, airplanes, or other assets purchased by the retailer that are not a part of the retailer's normal trade business. Assets such as personal boats or airplanes should be classified in Account 296 – Other Non-Automotive Assets.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other Inventories

Line 39 Account 242C – Reserve for LIFO – Parts

DEBIT with:

1. The amount of adjustment needed to *decrease* the reserve (as determined from the LIFO valuation).

CREDIT with:

1. The amount of adjustment needed to *increase* the reserve (as determined from the LIFO valuation).

Remarks:

- This account is provided for those dealers adopting the last-in, first-out (LIFO) method of inventory valuation for parts and accessories.
- The actual inventory value should be reflected in the respective Parts Inventory Accounts 242A and 242B.
- LIFO inventory valuation is very complicated and has very strict rules and regulations. It is recommended that retailers ONLY utilize this account under the direction of a proper tax authority and/or Certified Public Accountant.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



SUBARU

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other

Line 41 Account 260 – Securities

DEBIT with:

1. The cost, including brokerage fees, of securities purchased.
2. The cost or market value, whichever is lower, of securities accepted in trade.

CREDIT with:

1. The cost of securities sold.
2. The disposal of worthless securities.

Remarks:

- This account is for stocks, bonds, and other securities that are readily convertible to cash.
- Investments in subsidiaries or affiliates should not be included in this account. Such investments should be charged to Other Non-Automotive Assets (Account 296).
- Supporting information on all transactions should be maintained. This includes date acquired, cost, complete description, date sold, proceeds, and gain or loss on disposal.
- Cost represents the total amount paid, including commissions, taxes and other fees.
- Proceeds represent the net amount received that is the gross amount of the sale less commissions, taxes, transfer cost, and other fees.
- A schedule of income should be maintained for each marketable security held.
- All interest and dividends earned should be credited to Additions to Income – Interest Earned (Account 801).
- Profits resulting from a sale should be credited to Additions to Income – Other, (Account 805); losses should be debited to Deductions to Income – Other (Account 855).



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other

Line 42 Account 269A – Prepaid Taxes

Line 43 Account 269B – Prepaid Insurance

Line 44 Account 269C – Prepaid Advertising

Line 45 Account 269D – Prepaid Other

DEBIT with:

1. The cost of expenses paid for in advance of the current month.

CREDIT with:

1. The cost of expenses paid for in advance and applicable to the current month.

Remarks:

- Account 269A – Prepaid Taxes – should include all payments made to taxing authorities in advance of the period they cover, e.g., if property taxes are paid in November for a 12 month period, then 1/12 would be charged to Account 84 – Taxes Real Estate, while the balance would reside in A/C 269A – Prepaid Taxes until each month's expense is credited out of the prepaid account and expensed.
- Account 269B – Prepaid Insurance – should include all payments made in advance for insurance that will cover a future period. Prepaid Insurance should be relieved each month for the amount applicable to that month and expensed to insurance expense accordingly.
- Account 269C – Prepaid Advertising should include all payments made in advance for advertising that will cover a future period. Prepaid Advertising should be relieved each month for the amount applicable to that month and expense to advertising expense accordingly.
- Account 269D – Prepaid Other should include all payments made in advance for expenses that are not Taxes, Insurance, or Advertising. Each month's usage should be expensed and the balance in prepaid accounts should reflect only that belonging to future periods.
- All prepaid accounts should be scheduled, reconciled monthly, and details maintained until the asset is relieved.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



SUBARU

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other

Line 46 Account 264 – SSLP / Lease / Rental Vehicles

DEBIT with:

1. The cost of all vehicles placed in long term SSLP, lease, or rental service.
2. The cost of dealer installed optional equipment and accessories (including labor).
3. The accumulated program allowances earned on each vehicle transferred or removed from SSLP, lease, or rental service.

CREDIT with:

1. The total cost of vehicles when removed SSLP, lease, or rental service.
2. Any factory/distributor program allowances paid to offset depreciation costs.

Remarks:

- The use of this account is intended for those retailers engaged in leasing or renting vehicles on a supplemental basis, and for the Subaru SSLP program.
- Income derived from the SSLP program should be credited to Account 811 – Subaru SSLP Income, and expenses related to SSLP vehicles should be debited to Account 860 – Subaru SSLP Expense.
- Retailers engaged in Lease & Rental activity on a large scale should consider establishing a separate business, with an accounting system designed specifically for that type of business.
- Regardless of the number of units placed in lease/rental service, it is recommended that legal, accounting, and tax advice be obtained.
- Vehicles purchased for lease or rental should be placed in the appropriate New Vehicle Inventory (in the normal manner) until they are fully prepared for delivery/service. Then a general journal entry should be made to transfer the unit from New Vehicle Inventory to this account.
- Rates of depreciation vary according to the type of vehicle, and the provisions of the lease/rental agreement. It is recommended that the dealer obtain legal, accounting, and tax counsel for proper compliance with various legal and tax regulations. Depreciation credits should be charged to Account 268 – Accumulated Depreciation – Lease and Rental Vehicles. The offsetting debit for depreciation expense should be made to Subaru SSLP Expense – Account 860.
- The offsetting debit for eligible program allowances should be to Factory Receivables -Other (Account 221), or Factory Receivables – Subaru (Account 227).
- At the time a lease/rental vehicle is removed from lease/rental service and transferred to used vehicle inventory, any resulting gains or losses resulting in the difference between book value and appraised value should be charged to either Subaru SSLP Income, Account 811, or Subaru SSLP Expenses – Account 860.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

CURRENT ASSETS – Other

Line 47 Account 268 – Accumulated Depreciation – SSLP, Lease, or Rental Vehicles

DEBIT with:

1. Total accumulated depreciation on any vehicle removed from SSLP, Lease, or Rental service

Credit with:

1. Monthly depreciation on all vehicles in SSLP, Lease, or Rental Vehicles (Account 264)

Remarks:

- A schedule of depreciation should be set up with the advice of competent accounting counsel. The schedule should be grouped by SSLP, Lease, or Rental units.
- The schedule should also include the following:
 - Vehicle description
 - VIN # and stock #
 - Date put into service
 - Customer name on lease vehicles
 - Number of months to be in service
 - Cost
 - Monthly depreciation
 - Accumulated depreciation
- When a vehicle is removed from service, debit Account 268 with the accumulated depreciation on the vehicle. Credit Account 264 with the total inventory cost of the unit, less depreciation.
- Any difference between net book value (Account 264 value, less Account 268 value) and appraised value should be debited or credited to Account 809 - Lease & Rental Vehicle Income, or Account 859 – Lease & Rental Vehicle Expense, or Subaru SSLP Income - Account 811, or Subaru SSLP Expense – Account 860.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 51 Account 280 – Land

DEBIT with:

1. The cost of land purchases for use in the automobile business.
2. The cost of legal fees, broker's commissions, and abstract and title fees to secure title.
3. The cost of surveys.

CREDIT with:

1. The total cost of land when sold.

Remarks:

- This account represents the cost of land for use in the retailer activity.
- Land not used in the automobile business should be included in Other Non-Automotive Assets (Account 296).
- When land and buildings are purchased for a lump sum, an appraisal should be made to determine the value of the land. The determined value of the land and the building(s) should be charged to the appropriate accounts.
- Depreciable improvements, such as grading, paving, ditches, sewers, landscaping, etc., should be charged to a sub-account under Buildings and Improvements (Account 281).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 52 Account 281 – Buildings & Improvements

DEBIT with:

1. The cost of building(s) purchased or constructed for use in the automobile business.
2. The cost of improvements, alterations, additions, and permanent fixtures attached to the building(s).
3. The amount of legal fees, architect fees, excavating and grading costs, etc.

CREDIT with:

1. The cost of buildings or building fixtures sold or otherwise removed from this account.

Remarks:

- Buildings and improvements on leased land should be recorded in Leaseholds (Account 286). Buildings and improvements not used in the retailer activity should be recorded in Other Non-Automotive Assets (Account 296).
- 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.
- Depreciable land improvements, such as grading, paving, etc., should be charged to this account. For control purposes a sub-account or separate fixed asset record may be maintained for these improvements.
- Repairs and maintenance costs which ordinarily do not increase the value or prolong the life of buildings and/or permanent fixtures and equipment should be expensed as they occur, using Repairs – Real Estate (Account 82) or Repairs – Equipment (Account 90).
- When a building or equipment included in this account is sold, the total cost should be credited to this account. Accumulated depreciation for the building and/or equipment should be charged to Depreciation of Buildings and Improvements (Account 83). Any gain on the sale should be credited to Additions to Income – Other (Account 805). Any loss on the sale should be debited to Deductions to Income – Other (Account 855).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 52 Account 351 – Buildings & Improvements – Accumulated Depreciation

DEBIT with:

1. The accumulated depreciation on building(s) purchased or constructed for use in the automobile business.
2. The accumulated depreciation on improvements, alterations, additions, and permanent fixtures attached to the building(s).

CREDIT with:

1. The monthly provision for depreciation on building(s) purchased or constructed for use in the automobile business.
2. The monthly provision for depreciation on improvements, alterations, additions, and permanent fixtures attached to the building(s).

Remarks:

- This account balance represents the total accumulated depreciation of buildings and improvements recorded in Buildings and Improvements (Account 281).
- Rates of depreciation vary according to the type of asset and its use, as well as other factors. It is recommended that the dealer obtain outside accounting and tax counsel to aid in determining proper depreciation rates.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 53 Account 282 – Service Equipment

DEBIT with:

1. The cost of machinery/permanent tools and equipment acquired or built (not a permanent part of the building) for use in the shop.
2. The cost of special tools with a value exceeding an agreed limit, i.e., \$500. Anything below this amount should not be capitalized and charged to the appropriate expense account.

CREDIT with:

1. The cost of machinery tools and equipment in the account that is sold or otherwise removed.

Remarks:

- Machinery, tools, equipment, for the Service or Body Shop Departments, whether purchased new or used, should be charged to this account and depreciated over their useful life.
- This account balance represents the net purchase price, freight, and installation costs of all machinery, permanent tools, and equipment purchased or built (including lease-purchase arrangements).
- Parts and Accessories Department equipment should not be charged to this account.
- Small tools of an expendable nature should be charged directly to expense.
- Repairs to items in this account should be charged directly to expense as they occur.
- All service equipment acquired should be listed in detail on a fixed asset inventory and depreciation record. The accumulated total in the cost column should agree with the balance in this account each month-end. A separate fixed asset record maintained for mechanical and body shop equipment will afford better internal control and distribution of costs.
- When an item included in this account is sold, the total cost should be credited to this account, and the reciprocal accumulated depreciation account relieved. Any gain on the sale should be credited to Additions to Income – Other (Account 805). Any loss on the sale should be debited to Deduction to Income – Other (Account 855).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 53 Account 352 – Service Equipment – Accumulated Depreciation

DEBIT with:

1. The accumulated depreciation on service machinery, permanent tools, and equipment when sold or otherwise removed.

CREDIT with:

1. The monthly provision for depreciation on service machinery, permanent tools and equipment.

Remarks:

- This account balance represents the total accumulated depreciation of service machinery, permanent tools, and equipment recorded in Service Equipment (Account 282).
- Rates of depreciation vary according to the type of equipment, use, and other factors. It is recommended that the dealer obtain outside accounting and tax counsel to aid in determining proper depreciation rates.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 54 Account 283 – Parts & Accessories Equipment

DEBIT with:

1. The cost of all machinery, permanent tools, equipment acquired, or built (not a permanent part of the building) for use in the Parts & Accessories Department.

CREDIT with:

1. The cost of machinery tools, equipment in this account that is sold or otherwise removed.

Remarks:

- Machinery, tools, equipment for the Parts and Accessories Department, whether purchased new or used, should be charged to this account and depreciated over their useful life.
- This account balance represents the net purchase price, freight, and installation costs of all equipment purchased or built (including lease-purchase arrangements).
- Service Department equipment should not 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, cabinet and containers, fork lift, etc.
- All parts and accessories equipment acquired should be listed in detail on fixed asset inventory and depreciation record. The accumulated total in the cost column should agree with the balance in this account each month-end.
- Repairs to items in this account should be charged directly to the appropriate expense account as they occur.
- When an item included in this account is sold, the total cost should be credited to this account, and the reciprocal accumulated depreciation account should be relieved. Any gain on the sale should be credited to Additions to Income – Other (Account 805). Any loss on the sale should be debited to Deductions to Income – Other (Account 855).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 54 Account 353 – Parts & Accessories Equipment – Accumulated Depreciation

DEBIT with:

1. The accumulated depreciation on parts and accessories equipment machinery, tools, and equipment when sold or otherwise removed.

CREDIT with:

1. The monthly provision for depreciation on parts and accessories equipment.

Remarks:

- This account balance represents the total accumulated depreciation of parts and accessories machinery, tools, and equipment recorded in Parts and Accessories Equipment (Account 283).
- Rates of depreciation vary according to the type of equipment, use, and other factors. It is recommended that the dealer obtain outside accounting and tax counsel to aid in determining proper depreciation rates.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 55 Account 284 – Furniture & Fixtures

DEBIT with:

1. The cost of all furniture, signs, and equipment, and permanent indoor and outdoor signs.

CREDIT with:

1. The cost of all furniture, signs and equipment sold, or otherwise removed.

Remarks:

- This account balance represents the purchase price, freight, and installation costs of all furniture, signs, and equipment acquired for retailer use.
- It is recommended that retailers occupying leased facilities obtain legal and tax advice regarding capitalization of assets permanently affixed to such facilities.
- All furniture, signs, and equipment should be listed on a fixed asset inventory and depreciation record. The accumulated total in the cost column should agree with the balance in this account each month-end.
- Repairs and maintenance costs which ordinarily do not add to the value or prolong the life of the furniture, signs, and equipment should be charged to expense as they occur.
- When an item included in this account is sold, the total cost should be credited to this account, and the reciprocal accumulated depreciation account relieved. Any gain on the sale should be credited to Additions to Income – Other (Account 805). Any loss on the sale should be debited to Deductions to Income – Other (Account 855).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 55 Account 354 – Furniture & Fixtures – Accumulated Depreciation

DEBIT with:

1. The accumulated depreciation on furniture, signs, and equipment when sold or otherwise removed.

CREDIT with:

1. The monthly provision for depreciation on all furniture, signs, and equipment.

Remarks:

- This account balance represents the total accumulated depreciation of furniture, signs, and equipment recorded in Furniture and Fixtures (Account 284).
- It is recommended that the dealer obtain accounting and tax counsel to aid him in determining proper depreciation rates.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 56 Account 285 – Company Vehicles

DEBIT with:

1. The cost of all new and used vehicles including accessories and equipment permanently placed in company service.

CREDIT with:

1. The cost of all such vehicles when sold or otherwise removed.

Remarks:

- The balance in this account represents the cost of all vehicles acquired by the retailer for use in the operation of the automobile business.
- This account should include such vehicles as: service and parts trucks, wreckers, motorcycles, courtesy cars (excluding vehicles which are primarily revenue producing, such as daily rental vehicles to service customers – even if an occasional customer is charged a nominal amount, with no contractual obligations, this should not be considered as primarily revenue producing), and airplanes (used in the retailer's regular activities).
- This account should not include vehicles assigned as demonstrators.
- This account should be supported by a subsidiary record. Company cars and service vehicles should be physically inventoried periodically and stringent controls placed on their use.
- All company cars and service vehicles acquired or transferred from another vehicle inventory should be listed in detail on a fixed asset inventory and depreciation record. The accumulated total in the cost column should agree with the balance in this account each month-end.
- The costs of licenses, insurance, interest, and ordinary maintenance should be charged to the applicable expense accounts.
- When a company vehicle included in this account is sold, the total cost should be credited to this account, and the reciprocal accumulated depreciation account relieved. Any gain on the sale should be credited to Additions to Income – Other (Account 805). Any loss on the sale should be debited to Deductions to Income – Other (Account 855).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 56 Account 355 – Company Vehicles – Accumulated Depreciation

DEBIT with:

1. The accumulated depreciation on company vehicles and service vehicles when sold or otherwise removed.

CREDIT with:

1. The monthly provision for depreciation on all company vehicles and service vehicles.

Remarks:

- This account balance represents the total accumulated depreciation of company vehicles and service vehicles recorded in Company Vehicles (Account 285).
- It is recommended that the dealer obtain accounting and tax counsel to aid in determining proper depreciation rates.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 57 Account 286 – Leaseholds

DEBIT with:

1. The purchase price of a lease.
2. The cost of improvements made on leased property.
3. The cost of existing improvements acquired on leased property.
4. The premium paid for a lease.

CREDIT with:

1. The cost of leaseholds and improvements sold or abandoned.

Remarks:

- Leased security deposits should not be recorded in this account. They should be entered in Prepaid Expenses (Account 269).
- All leaseholds should be listed in detail on a fixed asset inventory and depreciation record. The accumulated total in the cost column should agree with the balance in this account each month-end.
- Repairs and maintenance costs which ordinarily do not add to the value of the leaseholds should be expensed as they occur.
- Leasehold improvements are normally construed to mean those improvements of a permanent nature that add value and/or life to the property.
- When leaseholds are sold, the cost should be credited to this account. Accumulated amortization for the leasehold sold should be debited to Amortization of Leaseholds (Account 356). Any gain on the sale should be credited to Additions to Income – Other (Account 805). Any loss on the sale should be debited to Deductions to Income – Other (Account 855).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 57 Account 356 – Leaseholds – Accumulated Depreciation

DEBIT with:

1. The accumulated depreciation on leaseholds and improvements upon sale, disposal, or lease termination.

CREDIT with:

1. The monthly provision for depreciation on all leaseholds and improvements.

Remarks:

- It is recommended that the dealer obtain accounting and tax counsel in establishing proper accounting and depreciation of leaseholds.
- This account balance represents the total accumulated depreciation of leaseholds and improvements recorded in Leaseholds (Account 286).
- Leasehold improvements should be depreciated over the expected life of the improvement, or the remaining period of the lease, whichever is less.
- A premium paid for a lease should be depreciated over the term of the lease.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 58 Account 287 – Signs

DEBIT with:

1. The purchase price of a sign.
2. The cost of improvements made to a capitalized sign.

CREDIT with:

1. The cost of signs sold or abandoned.

Remarks:

- All Signs should be listed in detail on a fixed asset inventory and depreciation record. The accumulated total in the cost column should agree with the balance in this account each month-end.
- Repairs and maintenance costs which ordinarily do not add to the value of the sign should be expensed as they occur.
- When Signs are sold, the cost should be credited to this account. Accumulated amortization for the Sign sold should be debited to Amortization of Signs (Account 357). Any gain on the sale should be credited to Additions to Income – Other (Account 805). Any loss on the sale should be debited to Deductions to Income – Other (Account 855).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 58 Account 357 – Signs – Accumulated Depreciation

DEBIT with:

1. The accumulated depreciation on signs upon sale, disposal, or lease termination.

CREDIT with:

1. The monthly provision for depreciation on all signs capitalized.

Remarks:

- It is recommended that the dealer obtain accounting and tax counsel in establishing proper accounting and depreciation of signs.
- This account balance represents the total accumulated depreciation of signs recorded in Signs (Account 287).
- Signs should be depreciated over the expected life of the sign, or the remaining period of the building lease, whichever is less.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 59 Account 288 – Other

DEBIT with:

1. The purchase price of any other asset not already classified with its own account, such as DMS systems, computers or software
2. The cost of improvements made to other assets.

CREDIT with:

1. The cost of other assets sold or abandoned.

Remarks:

- All other assets should be listed in detail on a fixed asset inventory and depreciation record. The accumulated total in the cost column should agree with the balance in this account each month-end.
- Repairs and maintenance costs which ordinarily do not add to the value of the other asset should be expensed as they occur.
- When other assets are sold, the cost should be credited to this account. Accumulated amortization for the other asset sold should be debited to Amortization of Other Assets (Account 358). Any gain on the sale should be credited to Additions to Income – Other (Account 805). Any loss on the sale should be debited to Deductions to Income – Other (Account 855).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

FIXED ASSETS

Line 59 Account 358 – Other Assets – Accumulated Depreciation

DEBIT with:

1. The accumulated depreciation on other assets upon sale, disposal, or lease termination.

CREDIT with:

1. The monthly provision for depreciation on all other assets capitalized.

Remarks:

- It is recommended that the dealer obtain accounting and tax counsel in establishing proper accounting and depreciation of all assets.
- This account balance represents the total accumulated depreciation of Other Assets recorded in Other Assets ([Account 288](#)).
- Other Assets should be depreciated over the expected life of the asset.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

OTHER ASSETS

Line 61 Account 291 – Life Insurance – Cash Value

DEBIT with:

1. The cash surrender value of all life insurance policies of which the retailer is owner and beneficiary.
2. The increase in cash surrender value upon payment or recording of additional premium.
3. Accrued insurance dividends and interest.

CREDIT with:

1. The cash received at the time the policy is surrendered or cancelled.

Remarks:

- The increase in cash surrender value may not necessarily coincide with the date the premium is due, in which case the entire premium should be charged to the expense account and adjusted by journal entry at the time the cash surrender value would increase.
- The cash surrender value of life insurance represents the cash the company would get from the insurance company by surrendering the policy. The amount of premiums in excess of the increase in cash surrender values of life insurance policies should be debited to Deductions to Income – Other (Account 855).
- 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 in a secure location, both physically and electronically.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

OTHER ASSETS

Line 62 Account 298 – Notes & Accounts Receivable – Owners/Officers & Employees

DEBIT with:

1. Notes and accounts due from Owners, Officers and Employees.

CREDIT with:

1. Payments received on these accounts.

Remarks:

- A detail of these items should be scheduled and reconciled monthly.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

OTHER ASSETS

Line 63 Account 295 – Other Notes & Accounts Receivable / Long Term Intercompany Receivable

DEBIT with:

1. Loans and advances to subsidiary and affiliated dealerships, including amounts due for merchandise **when extended terms have been granted.**
2. Loans and advances to outsiders.

CREDIT with:

1. The amount of payments received from subsidiary and affiliated enterprises or outsiders.
2. Credit notices for returned or refunded goods or services to subsidiaries or outsiders that were originally debited to this account.
3. Any accounts that were previously debited but now considered uncollectible.

Remarks:

- A detail of these items should be scheduled and reconciled monthly.
- Retailers should not make it a practice to loan cash to people or other enterprises if it negatively affects capital position.
- Intercompany receivables should be kept current, not long term, and cleared with funds exchanged between dealerships each month. This account is **ONLY** for those that do not practice funds exchange monthly – but note that this may negatively affect the retailers working capital position, so should be used judiciously. Extended, long-term, or very large balances in this account may be monitored by the factory.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

OTHER ASSETS

Line 64 Account 296 – Other Non-Automotive Assets/Intangible Assets

DEBIT with:

1. The cost of assets acquired for which specific accounts are not provided elsewhere in this manual, including assets not used in the automobile business.

CREDIT with:

1. Any provisions for depreciation of assets in this account.
2. The book value of assets sold or otherwise disposed of.
3. Write-down of securities to market value.

Remarks:

- This account would include such investments as: securities not readily marketable (stock or bonds), real estate not used in the business, club memberships, subsidiary or affiliated enterprises, purchasing cooperatives, capitalized organization expenses, Goodwill/Blue Sky, and deposits on contracts.
- Complete details describing these assets should be noted in this account or in a suitable subsidiary record. The cost of assets should include additional items such as expenses incidental to securing title, installation and construction costs, freight, and sales tax.
- Income and expenses relating to these assets should be recorded in Additions to Income – Other (Account 805) or Deductions to Income – Other (Account 855), as applicable.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – ASSETS

OTHER ASSETS

Line 65 Account 297 – Investments & Advancements – Other Operations

DEBIT with:

1. Investments in other ventures or business; advances to other ventures or business such as:
 - a. Body shops
 - b. Insurance companies
 - c. Other retailers

CREDIT with:

1. Repayment of investments in other ventures or businesses
2. Repayment of advances to other ventures or businesses

Remarks:

- Subsidiary records should support this account and should provide detailed cost data for each investment or advance. Profits and losses as a consequence of these investments and advances should be reported in Account 391 - Income from Other Operations.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accounts & Notes Payable

Line 1 Account 300 – Accounts Payable – Trade Creditors

DEBIT with:

1. Payments made on open accounts, including cash discounts taken.

CREDIT with:

1. Liabilities incurred for merchandise, equipment (including lease/purchase items), and services purchased on open account.

Remarks:

- The balance in this account represents the total amount due to trade creditors for the purchase of material, equipment, and services on open account.
- Equipment lease/purchase contracts having a note attached should be recorded in Accounts Payable – Other (Account 314) or Other Long Term Debt (Account 347), whichever is applicable.
- It is recommended that purchase orders be properly used authorizing all purchases. Purchase orders should be issued only by authorized persons.
- Vendor invoices should be matched with the related purchase orders, cross referenced, and attached prior to being recorded and filed in an accounts payable voucher envelope.
- A schedule should be prepared and reconciled against debtor statements each month-end. The total should agree with the balance in this account.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accounts & Notes Payable

Line 2 Account 301 – Vehicle Lien Payoffs

DEBIT with:

1. Payments made to payoff loan balances on vehicles taken in trade.

CREDIT with:

1. Verified payoff amounts on vehicles taken in trade with a lien payoff due.

Remarks:

- A schedule should be maintained for liens on trade-ins and should provide the following information:
 - Name of customer from who trade was received
 - Vehicle deal control number
 - Payoff amount
- Liens should be paid off immediately in order to protect the customer's credit and to ensure that no additional interest is charged.
- In verifying the payoff amount, it is important to ascertain that the quoted balance is the net amount due.
- Underestimated vehicle lien payoffs should be adjusted to the proper amount with the offsetting entry to Account 222 - Vehicle Accounts Receivable, and an attempt to collect the difference from the customer should be made.
- As a goodwill gesture, small or insignificant differences in payoff amount should be written off against the cost of sales for the vehicle purchased.
- Over-estimated vehicle lien payoff differences should be promptly refunded to the customer whom originally owned the vehicle.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accounts & Notes Payable

Line 3 Account 302 – License and Registration Fees

DEBIT with:

1. Payments made to state motor vehicle agency for license, registration and title fees.

CREDIT with:

1. License, registration and title fees collected from customers.

Remarks:

- This should be a scheduled account controlled by either the stock number or other identifying control number.
- All amounts collected for license, registration and title fees must be paid to appropriate agencies in full and on dates specified by the laws of your state.
- Most states do not allow income to be made in the collection and payment of these fees. Fees collected in excess of that required by law should be refunded to the customer on a timely basis.
- Documentation fees are legal in many states. However, these fees are shown as a separate item on the sales contract. Documentation fees should be credited to Account 803/804 – Documentation & Administration Fees New/Used Vehicles.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accounts & Notes Payable

Line 4 Account 304 – Customer Deposits

DEBIT with:

1. Deposits on future sales and other merchandise returned to customers.

CREDIT with:

1. Customer deposits received on future deliveries and other merchandise.

Remarks:

- A subsidiary record should be maintained for each deposit showing: customer's name, address, amount, date, and ultimate disposition.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accounts & Notes Payable

Line 5 Account 306 – Other Accounts Payable / Intercompany Payable – Short Term

DEBIT with:

1. Any Payments received for Other Accounts Payable or Intercompany Payables.

CREDIT with:

1. The amount of Other Accounts Payable or Intercompany Payables that are due within the next 12 months (Current Liability) and are not classified as Trade Creditors, Vehicle Lien Payoffs, License and Registration Fees, or Customer Deposits.

Remarks:

- This account is for any other Accounts Payable that does not fit into one of the already named categories, and Intercompany Payable amounts that are repaid on a monthly basis to subsidiary dealerships.
- This account should be used for other Accounts and Notes Payable, and Intercompany Payables that are due to be paid with the next 12 months, or less.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accounts & Notes Payable

Line 6 Account 310 – Notes Payable – New Vehicles & Demonstrators

DEBIT with:

1. Payments of notes on New Vehicles and Demonstrators.
2. The principal amounts of notes on new cars and trucks transferred to company vehicles, service vehicles, parts vehicles, driver education vehicles, leasing vehicles, etc.

CREDIT with:

1. The principal amounts due finance institutions on short-term notes secured by new cars and trucks.

Remarks:

- This is a control account which should be supported by a subsidiary vehicle inventory schedule designed to disclose all aspects of the new vehicle inventory, finance liability, and sale information. A detailed record of the unpaid amount due on each new vehicle should be maintained on the vehicle inventory record.
- Floorplan notes should be paid off immediately upon sale or disposal of the vehicle.
- At month-end, supporting inventory and finance liability schedules should be prepared, which should agree with the respective general ledger account balances. Any variances should be located, their source determined, and proper disposition made before the Subaru Dealer Financial Statement is prepared.
- The monthly finance company statement should be carefully reconciled to the retailer's records to determine if all payments have been promptly recorded, that payment for all cars and trucks sold have been made, and that no notes have been added in error by the finance company.
- All finance liabilities on vehicles transferred should be recorded at the same time the vehicle is removed from inventory.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accounts & Notes Payable

Line 7 Account 317 – Notes Payable – Used Vehicles

DEBIT with:

1. Payments of notes on Used Vehicles, both Subaru and Other makes.

CREDIT with:

1. The principal amounts due finance institutions on short-term notes secured by used cars and trucks.
2. Any remaining finance liability on vehicles removed from lease, rental or driver education service.

Remarks:

- A detailed record of the unpaid amount due on each used vehicle should be maintained on a vehicle inventory record.
- The monthly finance company statement should be carefully reconciled to the retailer's records to determine if all payments have been promptly recorded, that payment for all cars and trucks sold have been made, and that no notes have been added in error by the finance company.
- Any variances should be located, their source determined, and proper disposition made before the Subaru Dealer Financial Statement is prepared.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accounts & Notes Payable

Line 8 Account 313 – Notes Payable – SSLP, Lease, and Rental Vehicles

DEBIT with:

1. Payments on notes payable for SSLP, Lease, and Rental Vehicles.
2. Payments of depreciation (curtailment) amounts invoiced by the flooring institution.

CREDIT with:

1. The principal amounts due finance institutions on notes or contracts secured by vehicles in lease, rental or SSLP service.

Remarks:

- The use of this account is intended for those dealers engaged in SSLP, lease, or rental programs.
- Individual wholesale inventory finance notes and/or contracts should be paid off immediately upon sale or disposal of the vehicle.
- This is a control account which should be supported by a schedule. A detailed record of the unpaid balance amount due on each vehicle should be maintained in this subsidiary schedule.
- When new vehicles are placed into service from dealer inventory, the finance liability should be transferred by general journal entry from New Vehicles and Demonstrators (Account 310) to this account.
- Each month-end, a supporting finance liability schedule should be prepared and be in agreement with this account balance. Any variances should be located, their source determined, and proper disposition promptly made.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accounts & Notes Payable

Line 9 Account 314 – Notes Payable – Other

DEBIT with:

1. Payment on notes.

CREDIT with:

1. The principal amounts due financial institutions on notes or contracts other than those secured by new vehicles, demonstrators, used vehicles, or vehicles in lease, rental, or driver education service.

Remarks:

- This account should include such items as: notes payable on permanent company vehicles; notes payable on other inventories such as motor homes, boats, motorcycles, farm equipment, etc.; and short term notes (maturing within twelve months) payable to financial institutions, subsidiaries, and affiliates, officers and partners.
- A detail of notes should be made in this account or suitable subsidiary record.
- A month-end schedule of unpaid notes should be prepared and should be in agreement with the balance in the general ledger account.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accounts & Notes Payable

Line 10 Account 315 – Notes Payable – Current Amount – Long Term Debt

DEBIT with:

1. Principal payments made in notes, contracts or mortgages that are due and payable within the succeeding twelve months.
2. Principal amounts of long-term notes or mortgages payable to finance institutions or other sources including officers, partners, etc., maturing within the succeeding twelve months.

CREDIT with:

1. Portion of a long-term note, contract or mortgage that is due and payable within the succeeding twelve months.

Remarks:

- A subsidiary schedule should support this account.
- At month-end, a listing of the current amounts due on each long-term loan should be prepared and the total reconciled with the balance in this account.
- Principal payments made on notes, contracts or mortgages will be debited to this account when applicable to payments for the last twelve months of the obligation.
- NOTE: Show the current portion of the capital loans in Memo – Capital Loan on Page 1 Line 8 on the Subaru Dealer Financial Statement.
- Interest payable on current portion of long term debt should be recorded monthly and charged to Deductions to Income – Interest Paid (Account 851).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 12 Account 320 – Interest Payable

DEBIT with:

1. Payments made on interest-bearing obligations.
2. The reversal of the prior month-end accrual.

CREDIT with:

1. The amount of interest due at a future date on all interest-bearing notes and contracts.

Remarks:

- This account balance represents the amount of interest accrued monthly on all interest-bearing obligations, which is payable in a future accounting period.
- Typical interest-bearing obligations for which interest should be recorded in this account include: new and used vehicle inventories; mortgages; other automotive inventories; non-automotive inventories; and capital loans.
- The finance institution handling the wholesale account should be requested to bill interest on the wholesale notes to a date as near to the end of the month as possible. Interest accrued may then be computed by prorating the current month's charge over the remaining number of days to the end of the month, taking into consideration any sizeable change in the inventory amount financed. For example, interest billed through the 20th of the month amounts to \$1,000. The period to the end of the month = 10 days or \$333. However, the inventory amount financed at this month-end is 10% higher than at the previous month-end. The accrual is increased accordingly to $\$333 + 10\%$ (or $\$33.30$) = total to accrue $\$366.30$.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 13 Account 321 – Payroll Payable

DEBIT with:

1. The reversal of the prior month-end payroll accrual.
2. The amount of vacation, sick leave, and time-off pay that is included in the regular payroll or paid separately to employees.
3. Adjustments to decrease the accrual balances based on current requirements.

CREDIT with:

1. The monthly accrual for gross salaries, wages, commissions, and incentives earned from the ending date of the last payroll period to the month-end.
2. The monthly provision for productive employees for vacation, sick leave, and time-off pay.
3. Adjustments to increase the account balance based on current requirements.

Remarks:

- The balance in this account represents the amount of salaries, wages, commissions, incentives, earned in the current accounting period which are payable in a subsequent accounting period.
- Also included in this account would be accrual of vacation, sick-leave, and time-off wages of productive employees whose wages are normally charged to cost of sales. However, if additional expenses will be incurred due to vacations, etc., of other employees, provision should be made for the anticipated expenses.
- When the end of a pay period does not coincide with the end of the month, the amount of employees' compensation earned but not paid or recorded during the month should be accrued individually by employee and recorded in the payroll journal. Promptly at the beginning of the following month, the (previous month's) payroll accrual should be reversed.
- Payroll advances and draws are construed as wages at the time of payment. Therefore, it is recommended that such advances and draws be issued on a payroll check.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 14 Account 322 – Insurance Payable

DEBIT with:

1. Payments of premiums accrued in this account.
2. Any adjustment to reduce the accrual balance to actual liability.

CREDIT with:

1. The monthly accrual for premiums on all insurance coverage.
2. Any adjustment to increase the accrual balance.

Remarks:

- The balance in this account represents the total estimated premiums (subject to future determination) covering insurance, for which payment will be made in a future accounting period.
- Periodic examination should be made of all insurance policies to assure adequate coverage and eliminate duplicate or unneeded coverage.
- Typical insurance coverage's which may be accrued in this account include vehicle inventories, garage liability, contents, and worker's compensation.
- The entry to record the monthly accrual of premiums payable should be recorded in a standard entries journal.
- A schedule should be maintained on all prepaid and accrued insurances, fully describing each insurance policy in force.
- The balance as shown in the accrued insurance schedule should agree with the balance in this account each month-end.
- It is advisable to retain all insurance policies in a "fire-proof" safe or vault.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 15 Account 324 – Taxes Payable – Sales

DEBIT with:

1. Payments made to local and state agencies for sales and use taxes collected.

CREDIT with:

1. The amount of sales tax collected from customers vehicle sales.
2. Sales tax collected from parts and service customer sales.
3. The use tax payable on merchandise used and on which sales or use tax was not paid at the time of purchase.
4. The amount of use tax due on demonstrators.
5. Miscellaneous sales and use taxes.

Remarks:

- The balance in this account represents sales tax collections applicable to vehicle sales, service, parts and accessories sales; use tax due on merchandise consumed or used in the retailer activities; use tax on demonstrators; and miscellaneous sales and use taxes which have not been remitted to the taxing agencies.
- All taxes should be paid on or before the required due date to avoid penalties.
- The collection of sales taxes and the calculation of use taxes should conform to respective state and local regulations.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 16 Account 323 – Taxes Payable – Payroll

DEBIT with:

1. Amounts paid to designated depository banks and Federal Reserve Banks.
2. Amounts remitted with calendar quarter FICA tax return.
3. Tax withholdings paid to designated government agencies.
4. Tax payments to state agencies.
5. Amounts paid to local governments.
6. Amounts paid to state agencies for unemployment taxes.

CREDIT with:

1. FICA taxes withheld from employees' earnings.
2. Employer's portion of FICA tax.
3. Federal income tax withheld from employees' earnings.
4. State income tax withheld from employees' earnings.
5. Local (city and county) income taxes withheld from employees' earnings.
6. The monthly accrual for state unemployment taxes.

Remarks:

- The balance in this account represents taxes withheld from employees, and the accrued employer portion, not yet paid.
- Current applicable tax rates should be used in computing the employee and employer tax liability. Payroll taxes should be paid on or before the required due date to avoid penalties.
- Current applicable tax rates (Tax Tables) should be used in determining the employee withholding tax liability.
- Instructions of the taxing agency should be followed in determining the liability and payment of unemployment taxes.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 17 Account 327 – Taxes Payable – Income

DEBIT with:

1. Payments of federal, state, and local income taxes.

CREDIT with:

1. The unpaid balance of federal, state, and local income tax liability for the previous taxable year.
2. Amounts that may be assessed as a result of audits of prior years' tax returns.
3. The estimated income tax on the current year's taxable income.

Remarks:

- Income taxes should be paid on or before the required due date to avoid penalties.
- It is recommended that sub-accounts, on separate general ledger sheets, be used to record each accrued income tax. The total of these sub-accounts should be combined for reporting on the Subaru Dealer Financial Statement.
- The income tax liability in this account at the end of the taxable year should be based upon the actual tax liability indicated on the tax returns prepared for submission.
- Prior year income taxes still owed should be displayed in the Memo Prior Year on Page 1 Line 17 on the Subaru Dealer Financial Statement.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 18 Account 326 – Taxes Payable – Real Estate

DEBIT with:

1. Payments made for taxes accrued on real property.

CREDIT with:

1. Monthly provision for real property tax.

Remarks:

- Most real estate taxes must be prepaid or accrued. Prepare a schedule of each tax liability as support for the balances both in Prepaid Expenses - Taxes and in Taxes Payable - Real Estate.
- Real estate tax bills may not be received for several months into the tax year of the taxing authority. In this event, it is necessary to estimate the tax liability on real estate. The estimate should charge each month with an approximately equal share of taxes on real estate. When the tax bill is received, payment should be debited to Account 326 with any adjustments made to expense Account 084 – Taxes – Real Estate.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 19 Account 325 – Taxes Payable – Other Than Payroll, Sales, & Income

DEBIT with:

1. Payments made to taxing agencies applicable to taxes accrued in this account.
2. Adjustments to reduce the accrual balance to more current estimates, or to actual liability.

CREDIT with:

1. The monthly accruals for real and/or personal property taxes.
2. The accrual for state and local taxes for which specific accounts have not been provided.
3. Adjustments to increase the respective accrual to more current estimates, or to actual liability.

Remarks:

- Included in this account are such state and local taxes such as mercantile taxes, gross receipts taxes, corporate franchise taxes, business activity taxes, and intangible taxes.
- All accrued taxes, licenses, and permits should be scheduled in detail fully describing each tax item, and taxable period covered, on the Prepaid and Accrued Account Schedule. The balance shown on this schedule should agree with the balance in this account each month-end.
- License and title fees should be paid on or before the required due date to avoid penalties.
- Real and/or personal taxes become liabilities on dates specified by state or local law.
- The exact amount of the liability may not be determinable; therefore, an estimated amount should be recorded. The estimated liability should be adjusted to the actual amount when it has been determined.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 20 Account 328 – Bonuses Payable – Employees

DEBIT with:

1. Net amount of bonus payments made to employees, accrued in a prior period.
2. Payroll deductions for taxes, etc.

CREDIT with:

1. Monthly provision to equal year to date bonuses payable to employees.

Remarks:

- The balance represents unpaid employee bonuses.
- This account and Bonuses Payable – Owners (Account 329) are combined on the Subaru Dealer Financial Statement.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 21 Account 329 – Bonuses Payable – Owners

DEBIT with:

1. Net amount of bonus payments made to owners, accrued in a prior period.
2. Payroll deductions for taxes, etc.

CREDIT with:

1. Monthly provision to equal year to date bonuses payable to owners.

Remarks:

- The balance represents unpaid owner bonuses.
- This account and Bonuses Payable – Employees (Account 328) are combined on the Subaru Dealer Financial Statement.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 22 Account 330 – Pension Funds Payable

DEBIT with:

1. Payments made to Pension Fund accounts, previous accrued for.

CREDIT with:

1. Employer's contribution to an employee pension fund.
2. Employees' contribution to an employee pension fund.
3. Any adjustment to increase the account balance to actual liability.

Remarks:

- The balance in this account represents the retailer's liability for pension and retirement funds accumulated to date, and payable in a future accounting period.
- Pension/retirement plans usually establish a fixed percentage of employee's total gross wages as a minimum requirement for the employer's contributions. Regardless of the method established, quarterly and annual adjustments are usually required to bring the total employer contribution into agreement with the requirements of the trust fund.
- Legal and accounting advice should be obtained on all questions relating to pension and retirement plans.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 23 Account 331 – Other Expenses Payable

DEBIT with:

1. Payments made applicable to expenses accrued in this account.
2. The reversal of the previous month's accrual.
3. Any adjustment to reduce the accrual balance to actual liability, or based on current estimates.

CREDIT with:

1. Monthly accrual for other expenses.
2. Any adjustment to increase the accrual balance to actual liability.

Remarks:

- Typical services for which provision should be made include such items as professional legal counsel, audit services of an outside firm, collection agency fees, rent, inventory service, and charitable contributions.
- The basis for recording the accrued expense should be realistic and accurate.
- Separate general ledger subsidiary accounts may be established (such as 331A, 33B, 331C, etc.) for each expense, or they may be detailed on a prepaid and accrued schedule. If separate general ledger accounts are used, they should be combined on the Subaru Dealer Financial Statement.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



CURRENT LIABILITIES – Accrued Liabilities

Line 24 Account 334 – Accruals and Reserves

DEBIT with:

1. Any adjustment to reduce the reserve balance based on current estimates or provisions for future write offs.

CREDIT with:

1. The monthly provision for estimated losses for other areas of retailer operations not previously covered.

Remarks:

- This account is for those reserves the retailer is required to maintain and that have not otherwise been described (for example, a reserve to cover potential losses from retailer funded extended service contract program).
- Reserves for possible used inventory depreciation on aged units.
- Other provisions for potential future losses or write offs.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



LONG TERM DEBT

Line 27 Account 341 – Capital Loans

DEBIT with:

1. Payments of the principal amount of loans recorded in this account.

CREDIT with:

1. The principal amount of long-term capital loans from banks and finance companies.

Remarks:

- The balance in this account represents amounts due to bank and finance companies on notes payable, either secured by collateral (other than vehicles) or unsecured, which are not due and payable until over one year from the original loan date.
- Loans included in this account generally are directly related to the business (for example, initial capitalization, land, building, leaseholds, etc.).
- A subsidiary record should be maintained indicating details of each loan.
- Interest payable on capital loans should be recorded monthly and charged to Account 093 – Other Interest).
- The portion of the notes which is due and payable within the succeeding twelve months from the balance sheet date should be included in Current Amount – LTD (Account 315).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



LONG TERM DEBT

Line 28 Account 347 – Notes – Long Term Debt – Owners/Other, and/or Long Term Intercompany Payables

DEBIT with:

1. Payments on the principal amount of all loans included in this account.

CREDIT with:

1. The principal amount of long-term loans received from owners, officers or others loaning funds to the company on a long-term basis, e.g., due in a period greater than 12 months. Also any intercompany payables not due within a 12 month period.

Remarks:

- If using this for long-term intercompany accounts payable, assure that any intercompany receivables on the asset side are also long-term. This would indicate that the dealership does not engage in a monthly exchange of funds between dealerships (NOT recommended practice), and this account should be used judiciously. Extended, long-term, or very large balances in this account may be monitored by the factory.
- A subsidiary record should be maintained indicating details of each loan, payable note, mortgage, and contract.
- Interest on all notes included in this account other than mortgages should be recorded monthly and charged to Account 93 – Other Interest). Mortgage interest should be charged to Interest – Real Estate Mortgage (Account 86).
- The principal portion of each note, contract, and mortgage due and payable within the succeeding twelve months from the date of the balance sheet date should be included in Current Amount – LTD (Account 315).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – LIABILITIES



LONG TERM DEBT

Line 29 Account 344 – Mortgages Payable

DEBIT with:

1. All payments on the principal amount of mortgages included in this account.

CREDIT with:

1. The principal amount of long-term loans, secured by real property used in the retailer activity.

Remarks:

- The balance in this account represents the amount due on notes secured by mortgages on real property (land, building and building equipment) owned and used by the retailer, which are due and payable beyond one year from the original loan date.
- Mortgages on property other than that used in the automobile business should be recorded in Long Term Debt Owners/Other – Account 347.
- This is a control account which should be supported by a subsidiary record, usually a copy of the mortgage and/or land contract, with a payment and interest schedule attached.
- Interest on real estate mortgages and land contracts should be recorded monthly and charged to Interest – Real Estate Mortgage Account 86.
- The portion of mortgages and/or land contracts due and payable within the succeeding twelve months from the date of the balance sheet date should be included in Current Amount – LTD Account 315.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – NET WORTH



NET WORTH

Line 39 Account 360 – Capital Stock

DEBIT with:

1. The par, or stated, value of both common and preferred stock that is retired or that is converted to or exchanged for preferred stock.

CREDIT with:

1. The par, or stated, value of both common and preferred stock issued and outstanding in exchange for cash or other property.

Remarks:

- This account should be used only by dealers operating as a corporation.
- Separate subsidiary records should be kept for each class of stock outstanding.
- The balance in this account should be equal in amount to the outstanding stock as reflected in the appropriate stock certificate book.
- Before engaging in transactions involving the corporation's capital stock, the retailer should obtain legal and accounting advice relative to such transactions.
- When a corporation purchases its own capital stock, the following should be observed:
 - If the stock is retired, its par or assigned value should be charged to this account. Amounts paid in excess of par or assigned value should be charged to Retained Earnings (Account 370). If purchased for less, the discount should be credited to Net Worth – Other (Account 378) and identified as capital surplus.
 - If the stock is not retired, it should be recorded at cost, in Net Worth – Other (Account 378) and identified as Treasury Stock.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – NET WORTH



NET WORTH

Line 40 Account 365 – Additional Paid In Capital

DEBIT with:

CREDIT with:

1. Additional paid in capital.

Remarks:

- This account should be used only by dealers operating as a corporation.
- The balance in this account represents the excess of the value received for capital stock issued over the par or stated value of such capital stock.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – NET WORTH



NET WORTH

Line 41 Account 361 – Treasury Stock

DEBIT with:

1. The cost of retailer stock purchased back and held by the retailer (corporation).

CREDIT with:

1. The cost of treasury stock sold.

Remarks:

- Par or stated value is ignored when recording Treasury Stock transactions. Any gain or loss on the sale of Treasury Stock is recorded in Account 365 - Additional Paid in Capital.
- Although there are some legal restrictions on the practice, corporations may in general purchase shares of their own stock from stockholders. There are various reasons why a corporation may buy its own stock, e.g., it may want to provide shares for purchase by a new officer in the company, or for re-issuance to employees as a bonus or to provide shares for resale to key staff. It is important that each Treasury Stock transaction be supported with details of the transaction and recorded in the corporate minutes and register.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – NET WORTH



NET WORTH

Line 42 Account 370 – Retained Earnings

DEBIT with:

1. The loss for the accounting year, as shown in Profit or Loss – Current (Account 399) at the close of the year.
2. Any dividends declared and recorded in Dividends (Account 375) at the close of the year.

CREDIT with:

1. The net income for the accounting year (after income tax) as shown in Profit or Loss – Current (Account 399) at the close of the year.

Remarks:

- This account should be used only by dealers operating as a corporation.
- The balance in this account represents the amount of net earnings (after income taxes and dividend distributions) accumulated in prior years and retained in the business.
- This account should remain constant throughout the retailer's accounting year.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – NET WORTH



NET WORTH

Line 43 Account 375 – Dividends

DEBIT with:

1. Amounts declared by the Board of Directors for distribution to stockholders.

CREDIT with:

1. Year-end entry to transfer the balance of this account to Retained Earnings (Account 370).

Remarks:

- This account should be used only by dealers operating as a corporation.
- The balance in this account represents current year dividends declared for distribution to stockholders.
- Dividends declared in prior years should not be charged to this account.
- When dividends are declared payable at a subsequent date, debit this account and credit for the total amount of dividends declared.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – NET WORTH



NET WORTH

Line 44 Account 376 – Previous Taxed Income – “S” Corp.

DEBIT with:

1. Withdrawal of previously taxed retailer profits.
2. Year-end closing entry in the event of a 'loss'.

CREDIT with:

1. Investment of previously taxed retailer profits.
2. Year-end closing entry in the event that Account 399 – Net Profit (Loss) shows a profit.

Remarks:

- Shareholders of “S” corporations pay their income taxes on corporate profits as individuals, not as corporations. As a result of this tax treatment, some retailer owners find the tax situation more favorable. Adequate legal and tax counsel should be sought before forming a corporation of any status.
- The reinvestment of “S” corporation income will take the form of a loan to the corporation from the owner(s). This amount will be reflected in Account 347 – Long Term Debt Owners/Other.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – NET WORTH



NET WORTH

Line 45 Account 377 – Distributions – “S” Corporation

DEBIT with:

1. Cash withdrawn from the corporation by the Shareholders
2. Value of assets transferred to Shareholders for personal use.

CREDIT with:

1. Balance in this account at year end is to be transferred to Account 376 – Previously Taxed Income – “S” Corporation

Remarks:

- Shareholders of “S” corporations pay their income taxes on corporate profits as individuals, not as corporations. As a result of this tax treatment, some retailer owners find the tax situation more favorable. Adequate legal and tax counsel should be sought before forming a corporation of any status.
- The reinvestment of “S” corporation income will take the form of a loan to the corporation from the owner(s). This amount will be reflected in Account 347 – Long Term Debt Owners/Other.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – NET WORTH



NET WORTH

Line 47 Account 380 – Investment

DEBIT with:

1. The balance of withdrawals recorded in Drawings (Account 390).
2. Any reduction in the members', partners', or proprietor's investment.

CREDIT with:

1. Cash and fair market value of assets invested in the business.
2. The net income for the accounting year (after income tax) as shown in Net Profit or Loss (Account 399).

Remarks:

- This account should be used only by dealers operating as a limited liability company, partnership, or proprietorship.
- Members', partners', or proprietor's withdrawals should not be charged to this account until the end of the fiscal year, at which time Drawings (Account 390) would be closed to this account.
- The balance in this account represents the total investment in the business, including the net earnings of prior years' retained in the business.
- A separate investment account ledger sheet should be provided for each member or partner, showing the amount of individual investment; the total of these sheets should be reflected in this account on the Subaru Dealer Financial Statement. Allocation of profits or losses to each member's or partner's account should be made in accordance with the charter or partnership agreement.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – NET WORTH



NET WORTH

Line 48 Account 390 – Drawings

DEBIT with:

1. Withdrawals of cash and/or merchandise during the current year.
2. The amount necessary to close the accounting period credit balance to Investments – Members, Partners, or Proprietor (Account 380).

CREDIT with:

1. The monthly credit for members', partners' or proprietor's salaries not taken.
2. The year-end entry to transfer the total withdrawals for the year to Investments – Members, Partners or Proprietor (Account 380).

Remarks:

- This account should be used only by dealers operating as a limited liability company, partnership, or proprietorship.
- The balance in this account represents the amount of withdrawals (cash and/or merchandise) to date, and credit for that portion of salary not taken.
- A separate account should be maintained for each member or partner.
- To permit operating expenses to reflect a proper amount charged as a salary for managing the business, a definite monthly compensation plan should be set up for each member, partner, and proprietor, and this compensation should be charged to Salaries – Owners (Account 20). If this compensation is not withdrawn, it should be placed to the partner's or proprietor's credit in this account.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – NET WORTH



NET WORTH

Line 63 Account 391 – Income from Other Operations

DEBIT with:

1. Expenses and losses resulting from the association with other ventures and businesses which are not directly related to the SOA Retailer.

CREDIT with:

1. Income earned from the association with other ventures and businesses which are not directly related to the SOA Retailer.

Remarks:

- The balance should consist of the net result of all income, losses and expenses associated with the Retailer's involvement with other ventures and businesses not directly related to the SOA Retailer business entity.
- This account is provided in order to record the net income from other company-owned operations not directly related to the auto dealership operation and to maintain a clear picture of the SOA Retailer day-to-day operational results separate from any other associated ventures.
- Secure advice from competent tax counsel regarding the accounting and reporting requirements for the dealership and these ventures or businesses.
- Only use this account to represent income statement activity related to other vehicle franchises owned by the corporation holding the Subaru franchise, IF they are in a separate building and under a separate roof. Otherwise, if the other vehicle franchises are in the same building/roof, then that activity must be reported in the income statement under "New Vehicle Other".
- The net amount of all balance sheet accounts relating to the income shown in Account 391 must be shown in Account 297, Investments and Advances - Other Operations and should not be co-mingled with the dealership's other balance sheet accounts.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 1 – BALANCE SHEET – NET WORTH



NET WORTH

Line 65 Account 399 – Net Profit or (Loss)

DEBIT with:

1. The balances at the year-end in the cost of sales accounts, the expense accounts, the other deductions account, and the current year estimated income tax account.
2. The net profit for the current year (transferred by closing entry).

CREDIT with:

1. The balances at the year-end in the sales accounts and the other income accounts.
2. The net loss for the current year (transferred by closing entry).

Remarks:

- The balance in this account, after closing all accounts hereto, represents the net earnings or loss for the current year after provision for income taxes.
- There should be no balance in this account at the beginning of the accounting year.
- The profit during the year is determined by entering the "net of the balances" of all accounts on the financial statement.
- At the end of the accounting year; if the business entity is a corporation, the net profit or loss (balance in this account) should then be transferred to Retained Earnings (Account 370); if the business entity is a limited liability company, a partnership, or a proprietorship, it should be transferred to Investments (Account 380).



Departmental Income and Expense Pages 2-3



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FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

VEHICLE SELLING EXPENSES

Line 5 Account 11 – Compensation & Incentives – Salespeople

DEBIT with:

1. The salaries of salespeople for selling new and used vehicles.
2. The commissions and incentives earned by salespeople for selling new and used vehicles.

CREDIT with:

1. The reversal of the month-end accrual of commissions and incentives earned on new and used vehicles.

Remarks:

- Commission and incentives earned by a supervisor should be charged to this account.
- This account should excess of guarantees over commissions earned.
- Holidays and vacation time for salespeople should be charged to Account 024 – Absentee Compensation.
- Incentives include such items as premiums, prize points, etc., for which the retailer has incurred an expense.



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VEHICLE SELLING EXPENSES

Line 6 Account 15 – Interest – Floor Plan

DEBIT with:

1. The interest expense applicable to vehicles (including demonstrators) financed under a wholesale floor plan financing arrangement.
2. The month-end accrual of interest owed in the current period, but payable in a subsequent period.

CREDIT with:

1. The interest earned on cash deposited to reduce the interest charges on the floor plan liability.
2. The reversal of the month-end accrual for interest on inventory financing.
3. Distributor/Factory floor plan assistance program reimbursements.

Remarks:

- Individual wholesale inventory finance notes should be paid off immediately upon disposal of the vehicle.
- Accrued interest should be computed from the finance institutions billing, or cut-off date, to the month-end. The accrued interest should be recorded on a standard entries journal form.
- Each item of this expense should be distributed to the New and Used Vehicle Departments, as applicable.
- All manufacturers' reimbursements for floor plan assistance should be recorded in Account 29 – Floor Plan Assistance).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE



VEHICLE SELLING EXPENSES

Line 7 Account 29 – Floor Plan Assistance

DEBIT with:

1. Adjustments to previously recorded Floor Plan Assistance

CREDIT with:

1. The amount credited by the factory to offset floor plan expense. This account should carry a credit balance as it is a contra expense.
- Record floor plan credits from the factory in this account. Do not offset Floor Plan Expense, Account 15 with credits from the factory.



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FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

VEHICLE SELLING EXPENSES

Line 8 Account 13 – Compensation F&I / Service Contracts

DEBIT with:

1. Compensation earned by F&I Managers for the sale of finance, insurance, service contracts, and Aftermarket sales.
2. Compensation earned by Sales People for the sale of finance, insurance, service contracts, and Aftermarket sales.

CREDIT with:

1. Adjustments to previous debits to this account as required, e.g., for a Charge Back or any income deemed to be unearned after it was recorded.

Remarks:

- All F&I and Salesperson pay plans should be in writing and outline the treatment of specific commissionable items, including charge backs.
- Compensation for F&I Managers should not be recorded in Account 021 – Salaries Supervision.



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VEHICLE SELLING EXPENSES

Line 9 Account 12 – Delivery Expense

DEBIT with:

1. Internal selling price of preparing new and used vehicles for delivery.
2. Expenses (other than wages) of employees associated with delivering vehicles to customers.
3. Internal selling price of the labor for removing accessories and optional equipment.

CREDIT with:

1. Courtesy or distant delivery fees received from the manufacturer or other dealers.

Remarks:

- Included in this account would be such items as new vehicle preparation, washing, gasoline, oil, etc.
- The cost of retailer “thank you” gifts, cards or letters to customers who purchase vehicles.
- Courtesy delivery fees paid to other dealers for handling vehicle deliveries should be charged to this account.
- Repair of minor transit damage for which a claim is not made against the carrier should be charged to this account.
- Charges to this account should be made at the internal selling price of labor performed and parts used.
- The dealer should carefully review charges to this account with the new or used vehicle sales manager and/or the service manager each month.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

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VEHICLE SELLING EXPENSES

Line 10 Account 14 – Customer Relations Adjustments

DEBIT with:

1. The internal selling price of performing free inspections and service on vehicles after delivery to customers.
2. Additional pre-delivery adjustments made after delivery which are not warranty eligible.
3. Any cost to the retailer to satisfy a customer as a goodwill measure.

CREDIT with:

Remarks:

- Variances that can be specifically attributable to the Service, Parts and Accessories, or Body Shop Department should be charged to their Policy Work Account 67.
- Charges to this account should be made at the internal selling price of labor performed and parts used.
- The dealer should carefully review charges to this account with the new or used sales manager and/or service manager.



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VEHICLE SELLING EXPENSES

Line 11 Account 16 – Demonstrator Expense

DEBIT with:

1. The expense of operation and maintenance of new and used vehicles in demonstrator service.
2. Losses due to physical damage to demonstrators.

CREDIT with:

1. Adjustments to Demonstrator Expense account.

Remarks:

- Labor and material used in maintaining and repairing demonstrators should be charged to this account on an internal repair order at the internal selling rate.
- Typical charges to this account include such demonstrator related items as license, sales tax, and title fees gasoline and oil; washing; general maintenance and repairs; safety inspections (vehicle stickers); and losses resulting from accidents (uninsured portion).
- Each item of this expense should be distributed to the New and Used Vehicle Departments, as applicable.



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VEHICLE SELLING EXPENSES

Line 12 Account 32 – Advertising – Association

DEBIT with:

1. Debit with the voluntary per vehicle assessment charged on Subaru vehicle invoices for belonging to an advertising association.

CREDIT with:

1. Monies reimbursed from the ad association.

Remarks:

- Advertising Association charges should not be included in the cost of sales of Subaru vehicles. The purpose of an ad association is to increase Subaru dealer advertising in the dealer's primary market. Adding ad association charges to the cost of sales will distort the true amount spent on dealer advertising and incorrectly understate vehicle gross profits.



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VEHICLE SELLING EXPENSES

Line 13 Account 19 – Advertising – New & Used Vehicle Departments

DEBIT with:

1. All expenditures for advertising directly related to vehicles sales, excluding internet or social network expenditure.
2. The monthly write-off of the expired portion of prepaid advertising directly related to vehicles sales.
3. Distributor/Factory/Ad Group co-op or other advertising charges.

CREDIT with:

Remarks:

- This account should include advertising for the express purpose of promoting vehicle sales only.
- Distributor/Factory/Ad Group co-op or other advertising reimbursements on new vehicles should be reflected as a credit in Account 31A or 31F – Advertising Rebates. Typical advertising charges to this account include such items as newspaper; radio; television; direct mail related to new vehicles (including postage); premiums to non-retailer personnel for the express purpose of promoting new vehicles sales; posters and handouts; auto show exhibits; promotional banners, pennants, new model announcement material; magazines; and local civic events, etc.
- Advertising expenses should be distributed to the New Subaru, New Other and Used Vehicle Department, as applicable.



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VEHICLE SELLING EXPENSES

Line 14 Account 30 – Internet Advertising – New & Used

DEBIT with:

1. All expenditures for advertising directly related to vehicles sales that are internet or social network related.
2. The monthly write-off of the expired portion of prepaid internet advertising directly related to vehicles sales.
3. Distributor/Factory/Ad Group co-op or other advertising charges related to internet advertising, if any.

CREDIT with:

Remarks:

- This account should include INTERNET advertising for the express purpose of promoting vehicle sales only.
- This account should be net Distributor/Factory/Ad Group co-op or other advertising reimbursements.
- Typical advertising charges to this account include such items as internet hosting services, web page design and hosting, maintenance of website, vehicles photographs, descriptions and upload charges related to the internet, banners on social networking sites, social networking service fees, or any web related advertising.
- Each item of this expense should be distributed to the New and Used Vehicle Department, as applicable.



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VEHICLE SELLING EXPENSES

Line 15 Account 31 – Advertising Rebates New

DEBIT with:

1. Adjustments to previously recorded credits in this account.

CREDIT with:

1. Distributor/Factory/Ad Group co-op or other advertising rebates for any form of advertising.

Remarks:

- Any form of rebates, specifically manufacturers rebates should be credited here and NOT netted against Account 19A, 19F or 19B– Advertising New and Advertising New Other. This account should carry a credit (negative) balance.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

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PERSONNEL EXPENSES

Line 17 Account 20 – Salaries – Owners

DEBIT with:

1. Compensation of owner(s).

CREDIT with:

2. Adjustments to Owners Compensation.

Remarks:

- The term “Owners” means those persons who, viewed in a practical way, are the owners of the business. It is not intended to include technical owners of qualifying shares acquired solely for the purpose of enabling them to hold corporate office or to owners of small interests acquired as part of an employee incentive plan; as such holdings, would not ordinarily imply a change in their status as employees.
- To permit operating expenses to reflect a proper amount charged as a salary for managing the business, a definite monthly compensation plan should be set up for the proprietor, member, partner, or officer, and their compensation charged to this account whether or not withdrawn from the business.
- If not withdrawn, it can be placed to the proprietor's or partner's credit through his personal account by crediting Drawings (Account 390).
- Corporation salaries not withdrawn should be credited to Payroll Payable (Account 321).



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

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PERSONNEL EXPENSES

Line 18 Account 21 – Salaries – Supervision

DEBIT with:

1. Compensation of supervisory personnel.
2. Salary of an individual employee on a salary basis who functions as a Sales Manager (or supervisor) and as sales person.
3. Override compensation of supervisory personnel.
4. The month-end accrual of salaries earned in the current period, payable in a subsequent period.

CREDIT with:

1. The reversal of the month-end accrual, or adjustments to supervisory salaries.

Remarks:

- Typical positions charged to this account would be: General Manager, Controller, Office Manager, and Department Managers. Each salary charged to this account should be distributed according to the duties of the individual. However, if an individual manages two departments, the salary should be prorated to those departments on an equitable basis.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

PERSONNEL EXPENSES

Line 19 Account 35 – Compensation – Advisors, Wholesale/Retail Counterpersons

DEBIT with:

1. Compensation earned by Service Advisors, and Retail and Wholesale Parts Counterpersons.

CREDIT with:

2. Adjustments to previously recorded expense.

Remarks:

- This account is meant for regular customer labor and parts personnel. Dedicated Express Service compensation should be charged to Account 36 – Compensation Express Service.
- Each item of this expense should be distributed to the respective operating department. Personnel who perform services for more than one department should have their salaries prorated on an equitable basis.



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PERSONNEL EXPENSES

Line 20 Account 36 – Compensation – Express Service

DEBIT with:

1. Compensation earned by Express Service employees.

CREDIT with:

1. Adjustments to previously recorded expense.

Remarks:

- Examples of employees that would be included in this account are Express Service Representatives and the portion of Express Service Technician wages not debited to cost of sale accounts.
- Since in most cases Express technicians are employed on a salary, hourly, or guaranteed basis, their compensation will be charged to appropriate cost of sales account when they are paid; the amount that has been determined that Parts Department will absorb should be charged to Compensation – Express Service Account 36D (Parts).
- Each item of this expense should be distributed to the respective operating department. Express Service personnel perform services for more than one department and should have their salaries prorated on an equitable basis.
-



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

PERSONNEL EXPENSES

Line 21 Account 22 – Salaries – Clerical

DEBIT with:

1. Compensation earned by clerical employees.

CREDIT with:

Remarks:

- Examples of employees that would be included in this account are accountants, telephone operators, receptionists, bookkeepers, title clerks, data entry clerks, and cashiers.
- Each item of this expense should be distributed to the respective operating department. Clerical personnel who perform services for more than one department should have their salaries prorated on an equitable basis.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

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PERSONNEL EXPENSES

Line 22 Account 37 – Compensation – Business Development Center (BDC)

DEBIT with:

1. Compensation earned by Business Development Center employees.

CREDIT with:

1. Adjustments to previously recorded expense.

Remarks:

- Examples of employees that would be included in this account are Sales, Service & Parts Business Development Center employees.
- When the employee is salary only and does not handle the sale through to completion, the total compensation should be recorded here, with the personnel count in the Personnel Summary being recorded under Personnel – Other. Should the employee handle the sale to the customer through to completion, and it is commissionable, the salary portion of the employee's compensation is recorded here, with the commission being recorded in Compensation & Incentives Salespeople – Account 11.
- Each item of this expense should be distributed to the respective operating department. Business Development Department personnel may perform services for more than one department and should have their compensation prorated on an equitable basis.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

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PERSONNEL EXPENSES

Line 23 Account 23 – Other Salaries & Wages

DEBIT with:

1. Compensation paid to "other" employees.

CREDIT with:

Remarks:

- Examples of employees that would be included in this account are janitors; parts truck drivers, porters, lot attendants, and security personnel employed by the retailer
- Each item of this expense should be distributed to the respective operating department. "Other" personnel who perform services for more than one department should have their salaries prorated on an equitable basis.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

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PERSONNEL EXPENSES

Line 24 Account 27 – Taxes – Payroll

DEBIT with:

1. All taxes assessed on employees' wages – employer portion only.

CREDIT with:

Remarks:

- Current applicable tax rates should be used in computing the employee and employer tax liability.
- Individual employee earnings records should be currently maintained to facilitate the proper payroll deductions and permit accurate employer tax liability accrual.
- Payroll taxes that should be charged to this account include FICA taxes, unemployment taxes, and state and local employment taxes, if any
- Expenses in this account should be charged to the appropriate operating department. For employees providing services to more than one department, expenses should be prorated on an equitable basis.



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PERSONNEL EXPENSES

Line 25 Account 28 – Employee Benefits/Pension Fund

DEBIT with:

1. The monthly provision for contributions to fringe benefit programs instituted for the benefit of employees.

CREDIT with:

Remarks:

- In most employee benefit programs, the employees and the retailer share in the expense of the program. Only the retailer's portion of the expense is to be charged to this account.
- Employee benefit programs that normally should be charged to this account include Pension Fund, life insurance, hospitalization insurance, sickness and accident insurance, welfare and recreation funds, and workers' compensation insurance
- An accurate method of payroll deductions for employee contributions should be established. Such deductions are controlled more effectively if they are cleared through a payable account.
- Departmental distribution should be made in relation to payroll **dollar** amount per department.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

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PERSONNEL EXPENSES

Line 26 Account 24 – Absentee Compensation

DEBIT with:

1. Holiday, vacation and sick leave compensation of all employees.
2. The monthly accrual for vacation and time off pay for productive employees.

CREDIT with:

Remarks:

- Compensation for employees while attending training schools, conferences, etc. should be charged to this account at their regular rate of compensation.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OPERATING EXPENSES

Line 28 Account 51 – Company Vehicle Expense

DEBIT with:

1. The expenses for the operation and maintenance of company vehicles and lease and rental units.

CREDIT with:

1. Rental fees received from customers for casual use of company vehicles.

Remarks:

- Typical vehicles included in this account would be parts & service trucks, tow trucks, courtesy cars, loaners, general purpose vehicles, and driver education vehicles (dealer owned).
- This account should include the operation and maintenance expense of "Executive Cars," "Courtesy Cars," "Loaners," and any expense allowance to retailer personnel for the use of their personal cars in the business.
- Charges to this account should include such items as: gas and oil; repairs; washing; maintenance; physical damage losses resulting from accidents (uninsured portion); polishing, license and title fees; sales and use taxes; finance charges; and safety inspections. Depreciation expense should be charged to Account 355 – Company Vehicles – Accumulated Depreciation. Insurance should be charged to Account 88 – Insurance Other. Courtesy cars and loaners exclude vehicles which are primarily revenue producing. However if a customer is occasionally charged a nominal amount, with no contractual obligations, this should not be construed as primarily revenue producing.
- Expenses should be distributed to the respective operating department.



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OPERATING EXPENSES

Line 29 Account 60 – Office Supplies Expense

DEBIT with:

1. The cost of office supplies.

CREDIT with:

Remarks:

- Proper methods of control should be established to minimize waste and unnecessary expense. Control of these expenses may be affected through the use of Purchase Orders.
- Typical charges (including freight and sales tax) to this account include such items as stationary, invoices, repair orders, accounting forms, general office supplies.
- Documents such as parts counter sales invoices, purchase orders; checks, etc. should be controlled inasmuch as they can be misused with costly results.
- Pre-numbered documents should be used in numerical sequence. Check-off sheets should be maintained for all pre-numbered documents. Those that do not clear in their normal sequence, or that may be outstanding longer than usual, should be investigated and their disposition determined.
- Pre-numbered documents that may be voided should be recorded in their respective journal within their numerical sequence, and should be indicated as having been void on all copies of the document, in the journal, and on the check-off sheet. It is recommended that voided documents be filed intact within their numerical sequence.
- Stationary and office supplies are normally expensed at the time of purchase; however, when purchases are made in lot quantities (for extended periods of time) these expenses should be set up as a prepaid expense and prorated over the estimated period.



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OPERATING EXPENSES

Line 30 Account 61 – Other Supplies Expense

DEBIT with:

1. The expense of supplies, other than stationary and office supplies.

CREDIT with:

Remarks:

- Proper methods of control should be established to minimize waste and unnecessary expense. Control of these expenses may be affected through the use of purchase orders.
- Charges to this account include such items as small tools, janitorial supplies; solvents, rags, light bulbs and fluorescent tubes, and other expendable materials and supplies.
- Expenses should be distributed to the respective operating department to the extent applicable, as indicated by the departmental use of the supplies.



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OPERATING EXPENSES

Line 31 Account 49 – Advertising – Service, P & A, & Body Shop Departments

DEBIT with:

1. Advertising expenses directly related to the Service, Parts and Accessories, and Body Shop Departments that does not include Internet related expenses.

CREDIT with:

Remarks:

- Typical advertising charges to this account include such items as, direct mail programs, yellow pages advertising, premiums and promotional items, service clinics, discount coupons, newspaper, radio, television, and sports team sponsorships.
- Care should be exercised to assure that all advertising expenses are charged to the appropriate department.



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OPERATING EXPENSES

Line 32 Account 34 – Internet Advertising – Service, P & A, & Body Shop Departments

DEBIT with:

1. Internet Advertising and Social Network expenses directly related to the Service, Parts and Accessories, and Body Shop Departments.

CREDIT with:

Remarks:

- This account should include INTERNET advertising for the express purpose of promoting Service, Parts and Body Shop sales only.
- Typical advertising charges to this account include such items as internet hosting services, web page design and hosting, maintenance of website, banners on social networking sites, social networking service fees, online discount coupon design, online appointment or scheduling maintenance, or any web related advertising.
- Each item of this expense should be distributed to the Service Parts or Body Shop Department, as applicable.



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OPERATING EXPENSES

Line 33 Account 33 –Advertising Rebates - Service, P & A, & Body Shop Departments

DEBIT with:

1. Advertising credits or rebates directly related to the Service, Parts and Accessories, and Body Shop Departments.

CREDIT with:

Remarks:

- Any form of rebates, specifically manufacturers' rebates should be credited here and NOT netted against Account 49 – Advertising Service, Parts & Body Shop. This account should carry a credit (negative) balance.



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OPERATING EXPENSES

Line 34 Account 69 – Bad Debt

DEBIT with:

1. Month-end adjustment to increase the balance in Allowance for Doubtful Accounts – (Account 340).
2. The amount of the direct write-off of a bad debt when no reserve has been provided.

CREDIT with:

1. Month-end adjustment to decrease the balance in Allowance for Doubtful Accounts – (Account 340).
2. Collection by agency, or other means, of an account previously written off.

Remarks:

- Proper credit investigation and approval will minimize potential bad debt losses.
- Where accounts are collected by a credit and collection agency, the portion of the account that is retained by such agency should be charged to Outside Services (Account 68). The total amount collected should be credited to the individual's account.
- For departmentalization purposes, bad debts expense should be distributed to the operating department that received credit for the applicable sale.
- Write-off of uncollectible receivables should have prior approval of appropriate retailer management.



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FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OPERATING EXPENSES

Line 35 Account 66 – Contributions

DEBIT with:

1. The amount of money and items of value contributed to charitable, education, sports institutions, etc.

CREDIT with:

Remarks:

- Contributions should include such institutions and organizations as LOVE Promise community funds, educational institutions, etc.
- Expenses should be distributed to respective operating departments or prorated as applicable.



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OPERATING EXPENSES

Line 36 Account 67 – Policy Work – Service, P & A, & Body Shop Departments

DEBIT with:

1. The internal selling price for repairs, adjustments or replacement of defective service work, parts or accessories sold and for which neither the customer nor the manufacturer will be charged.
2. The amount not paid by manufacturers for Warranty or Transportation claims.

CREDIT with:

Remarks:

- Correction of overcharges should be treated as a reduction to the sale previously recorded and not charged to this account.
- Policy adjustments should only be authorized by the respective department manager.
- The dealer should review all charges to this account with the respective department manager.
- Charges to this account should be distributed directly to the department generating the expense.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

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OPERATING EXPENSES

Line 37 Account 68 – Outside Services - General

DEBIT with:

1. The cost of outside services other than legal or auditing.

CREDIT with:

Remarks:

- The costs of the following outside services should be charged to this account: monthly accounting services and statement preparation; outside consulting services, trash hauling (including waste oil and scrap metal); armored car service; snow removal; police protection; safe deposit rentals; shopper's services; outside janitorial service; management services and surveys; guard dog service; messenger services; collection agency fees; and alarm system. For Management Fees imposed by large dealer groups or publicly listed companies, see Account 63 – Outside Services – Management Fees.
- The above services should not be charged to this account if they are performed by retailer personnel.
- Electronic accounting services should be charged to Dealership Management System (DMS) (Account 77) if part of the DMS system, if not, it should be charged to IT Applications (Account 79)
- Expenses should be distributed to the respective operating department or prorated as applicable.



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OPERATING EXPENSES

Line 38 Account 63 – Outside Services - Management Fees

DEBIT with:

1. The cost of Management Fees charged by large dealer groups or public companies.

CREDIT with:

Remarks:

- To be used only by large dealer groups or publicly listed companies that impose a management fee structure on their stores.
- Expenses should be distributed to the respective operating department or prorated as applicable.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OPERATING EXPENSES

Line 38 Account 62 – Laundry & Uniforms

DEBIT with:

1. The purchase or rental of uniforms, towels, rags, rugs, etc.
2. Any company shirts, jackets, etc. that any employees are required to wear while on the job.

CREDIT with:

1. Any amount, if any, that is recovered from employees as partial payment for company clothing.

Remarks:

- It is suggested that the respective department managers make a periodic check of vendor's supply contracts and services as well as inventory of all items contracted to the retailer and in employee's possession.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

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OPERATING EXPENSES

Line 39 Account 70 – Travel & Entertainment

DEBIT with:

1. The general travel and entertainment expense for business purposes.

CREDIT with:

Remarks:

- Specific information relating to each expenditure is required for income tax purposes. Complete supporting evidence must be available for tax inspection, if requested.
- Travel expense of personnel attending training schools should be charged to the appropriate department's Training (Account 50).
- All travel and entertainment expenditures should be supported by expense vouchers, proper documents, indicating (in detail) dates involved, destination of travel, purpose of the trip, names of persons entertained, and other pertinent information.
- It is recommended that the retailer obtain outside accounting and tax counsel relating to the proper handling of travel and entertainment expense.
- Expenses in this account should be distributed to the respective operating department or prorated as applicable.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OPERATING EXPENSES

Line 40 Account 71 – Membership, Dues, & Publications

DEBIT with:

1. The amount of initiation fees and dues paid to business and civic organizations.
2. The amount of subscriptions paid for periodicals, business, and trade publications.

CREDIT with:

Remarks:

- Dues should include such expenditures for membership to automobile dealer associations and business and civic organizations.
- Subscriptions should include such items as: Automotive News and other trade publications; used vehicle price guides; parts guide books, price bulletins and catalogues; auction reports; newspapers; and magazines.
- Subscription lists should be reviewed periodically to ascertain that all expenditures are warranted and beneficial to retailer activities.
- Control of these expenses may be affected through the use of purchase orders.
- Expenses in this account should be distributed to the respective operating department or prorated as applicable.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OPERATING EXPENSES

Line 41 Account 72 – Legal & Auditing

DEBIT with:

1. The expense incurred for legal, auditing, and tax service.
2. The monthly accrual of estimated legal and audit fees.

CREDIT with:

Remarks:

- Charges to this account include such items as professional legal counsel, auditing services of an outside firm, and recording or filing fees.
- When legal, auditing, or collection expense is paid in advance, the amounts should be debited to Prepaid Expenses (Account 269), and charged to expense on a monthly basis.
- Normally, the annual outside audit fee should be determined and accrued on a monthly basis.
- Monthly accounting services to close the books and prepare the financial statement should be charged to Outside Services (Account 68).
- Electronic accounting services should be charged to Dealership Management System (DMS) (Account 77) if part of the DMS system, if not, it should be charged to IT Applications (Account 79)
-
- Expenses in this account should be distributed to the respective operating department or prorated as applicable.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OPERATING EXPENSES

Line 42 Account 74 – Telephone

DEBIT with:

1. The telephone and cellular phone expenses paid for by the retailer.
2. The intercom system expense.
3. The month-end accrual of telephone expense.

CREDIT with:

1. The collections for personal toll calls made by individuals.
2. The reversal of the month-end accrual of telephone expense.

Remarks:

- The estimated expenses for telephone should be accrued from the last billing cut-off date or from the previous month-end to the current month-end, whichever is applicable.
- Proper controls should be established governing toll calls. It is recommended that toll calls be verified and reviewed periodically.
- Telephone expenses directly related to data processing equipment operation should be charged to IT Applications (Account 79)



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OPERATING EXPENSES

Line 43 Account 76 – Freight & Express/Postage

DEBIT with:

1. The total expense of freight, cartage, express, and postage on all incoming and outgoing shipments of parts, accessories, and other miscellaneous items.
2. All postage expense in the retailer.
3. Rental expense of postage equipment.

CREDIT with:

1. The amount of collections and allowances that offset such freight, cartage, express, and postage charges.

Remarks:

- Freight costs on items ordered by other departments should be charged to the ordering department (for example, body parts ordered on an overnight delivery basis by the body shop).
- Freight costs applicable to vehicles, capital assets, and non-inventory items should be charged to the appropriate inventory account together with the original purchase.
- The freight costs applicable to parts and accessories receipts should not be charged to the respective inventory account as this will distort the inventory and cause sizeable inventory adjustments when the physical count is reconciled to the book balance. Postage used in connection with direct-mail advertising should be expensed to the appropriate departments advertising account.
- Postage expense should be charged to the applicable department, e.g., new vehicle thank-you letters would be charged to the new vehicle departments.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OPERATING EXPENSES

Line 44 Account 50 – Training

DEBIT with:

1. Expenditures for training retailer personnel.

CREDIT with:

Remarks:

- Typical expenditures charged to this account would be for: tuition, transportation, training materials, meals, and lodging for employees attending schools and conferences, sales aids kits such as facts books and color and upholstery charts/books, visual aids such as production films, slides and video tapes; and service and technical club memberships.
- Salaries and wages of employees in a training program should not be charged to this account, but should be charged to Absentee Compensation (Account 24).
- Expenses in this account should be charged to the appropriate operating department. For employees providing services to more than one department, expenses should be prorated on an equitable basis.



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OPERATING EXPENSES

Line 45 Account 77 – Dealer Management System (DMS)

DEBIT with:

1. Expenses solely related to the Dealer Management System (DMS), for example, Reynolds & Reynolds, CDK, Automate, DealerTrack, etc.

CREDIT with:

Remarks:



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OPERATING EXPENSES

Line 46 Account 78 – Miscellaneous

DEBIT with:

1. Expenditures for which specific accounts have not been provided.

CREDIT with:

Remarks:

- Expenses charged to this account should be relatively few in number. However, the following expenses are directly applicable to this account: Christmas party expense, gifts, congratulatory gifts; flowers.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

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OPERATING EXPENSES

Line 47 Account 79 – IT Applications

DEBIT with:

1. ALL IT expenditures not directly related to costs incurred with the Dealership Management System provider that are accounted for the Dealership Management System (DMS) Account 77. Examples of expenditures that would be debited here include, vehicle appraisal applications such as V-Auto, etc., Subarunet charges, Subaru PRIME, X-time and Care Connect system charges, etc. Vehicle and/or parts and service marketing campaign costs associated with X-time and Care Connect should be charged to Internet Advertising New & Used Account 30, and Internet Advertising Service, Body, P&A Account 34.

CREDIT with:

Remarks:

- Data processing expenses that would be charged to this account include: repairs, support or annual maintenance of retailer owned data processing equipment; rental and/or lease of data processing equipment; telephone expenses directly related to data processing equipment operation; the cost of program writing; electronic accounting services (including payroll preparation).
- Large payments made for programming of "in-house" computers should be debited to Prepaid Expenses (Account 269). The monthly write-off of such prepaid expenses would be to this account.
- Supplies used exclusively for "in-house" data processing equipment, such as paper, account forms, etc., should be charged to this account.
- Expenses in this account should be distributed to the benefiting operating department or prorated as applicable.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OVERHEAD EXPENSES

Line 49 Account 80 – Rent/Lease

DEBIT with:

1. Expense of renting/leasing all facilities used in the regular retailer activities.

CREDIT with:

1. Income received from subletting or renting a portion of the leased or rented facilities.

Remarks:

- Where the terms of a lease require the lessee to pay any real estate taxes and/or insurance coverage, such amounts should be considered a part of the rental factor and charged to this account.
- Charges to this account should include such expenditures as rental for buildings, rental for used vehicle lots, rental for new and used vehicle storage facilities, insurance (if specified in the terms of the lease), and real estate taxes (if specified in terms of the lease).



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OVERHEAD EXPENSES

Line 50 Account 81 – Amortization – Leaseholds

DEBIT with:

1. The monthly amortization of Leasehold Improvements.

CREDIT with:

Remarks:

- Leasehold improvements are normally construed to mean those improvements of a permanent nature that add value and/or life to rented or leased property.
- Leasehold improvements should be amortized over the expected life of the improvement, or the remaining period of the lease, whichever is less, and according to IRS regulations.
- A premium paid for a lease should be amortized over the term of the lease.
- It is recommended that the dealer obtain outside accounting and tax counsel to aid him in establishing proper accounting and amortization of leaseholds.



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OVERHEAD EXPENSES

Line 51 Account 82 – Repairs – Real Estate

DEBIT with:

1. The expense incurred in maintaining and repairing both owned and leased property used in the retailer activities.

CREDIT with:

Remarks:

- Maintenance and repair costs are those which ordinarily do not add to the value or prolong the life of the asset.
- Charges to this account should include such items as: repairs to property, painting and decorating, general cleaning, including major cleaning, buffing, sanding, and polishing floors, and losses from glass breakage or damage to buildings (uninsured portion).
- Major cleaning and decorating should be expensed at the time it is incurred, unless it materially increases the value and prolongs the life of the asset. If the cost is capitalized, it should be charged to Buildings and Improvements (Account 281) or to Leaseholds (Account 286), whichever is applicable.
- The cost capitalized improvements should then be properly listed on a fixed asset inventory and depreciation record, and amortized over the period of life expectancy or the remaining life of the lease, whichever is the lesser period.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OVERHEAD EXPENSES

Line 52 Account 83 – Depreciation – Buildings and Improvements

DEBIT with:

1. Monthly depreciation of Buildings and Improvements.

CREDIT with:

Remarks:

- Rates of depreciation vary according to the type of building and building equipment and their useful life expectancy, competent tax counsel should be consulted to determine depreciation rates.

All buildings, building equipment, and improvements should be listed in detail on a fixed asset inventory and depreciation record.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE



OVERHEAD EXPENSES

Line 53 Account 84 – Taxes – Real Estate

DEBIT with:

1. The monthly portion of all prepaid or accrued taxes on real estate owned by the retailer and used in its regular activities.

CREDIT with:

Remarks:

- Real estate taxes paid on rented property are considered as part of the rent factor and should be charged to Rent/Lease (Account 80).
- Real estate taxes are usually distributed over a twelve month period. Such taxes should be prepaid or accrued in accordance with tax regulations.
- Real estate taxes normally consist of city taxes, county taxes, school district taxes, and improvement assessments.



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OVERHEAD EXPENSES

Line 54 Account 85 – Insurance – Buildings & Improvements

DEBIT with:

1. The monthly portion of all insurance premiums for insurance coverage on all buildings and improvements owned by the retailer, and used in regular retailer activities.

CREDIT with:

Remarks:

- Insurance premiums should be charged to Prepaid Expenses (Account 269), and the premium expensed monthly over the life of the policy.
- Insurance on rented property is considered as part of the rent factor and should be charged to Rent/Lease (Account 80).
- All insurance policies should be reviewed periodically for duplicate or unneeded coverage.
- Typical charges to this account include real estate insurance coverage for fire, tornado, plate glass, boiler, and extended coverage.



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FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OVERHEAD EXPENSES

Line 55 Account 86 – Interest – Real Estate Mortgage

DEBIT with:

1. All interest, paid or accrued, on mortgages payable (secured by real estate used in the automotive business).

CREDIT with:

Remarks:

- This expense relates only to interest on real estate mortgage on property owned and used by the business. It does not include interest on financed vehicles, notes payable, or contents mortgages.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OVERHEAD EXPENSES

Line 56 Account 87 – Heat, Light, Power, & Water

DEBIT with:

1. The expense of fuel, electricity, gas and water used by the retailer.
2. The month-end accrual of fuel, electricity, gas and water.

CREDIT with:

1. The reversal of the month-end accrual.

Remarks:

- Fuel purchased in quantities that will be consumed over a prolonged period (several months) should be recorded in Prepaid Expenses (Account 269), and prorated to expense on a monthly basis.
- The estimated expenses for fuel, electricity, gas, and water should be accrued from the last billing cut-off date or from the previous month-end to the current month-end, whichever is applicable.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OVERHEAD EXPENSES

Line 57 Account 88 – Insurance Other Than Buildings & Improvements

DEBIT with:

1. All insurance premiums not otherwise provided in the Chart of Accounts.

CREDIT with:

Remarks:

- Premiums for Workmen's Compensation should be charged to Employee Benefits (Account 28). Premiums on life insurance (wherein the retailer is beneficiary) should be charged to Deductions to Income – Other (Account 855).
- Prepaid insurance premiums should be expensed over the life of the policy. Accrued insurance should be accrued and expensed monthly.
- Premiums charges to this account include such items as: merchandise inventories; contents and equipment; fire and theft (except buildings); garage liability; fidelity bonds on employees; bodily injury and property damage; public liability; burglary; business interruption; and other classifications.
- All insurance policies should be reviewed periodically for duplicate or unneeded coverage.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OVERHEAD EXPENSES

Line 58 Account 89 – Taxes – Other Than Real Estate, Income, & Payroll

DEBIT with:

1. All other operating taxes accessed the retailer for doing business.

CREDIT with:

Remarks:

- Do not include payroll, income, real estate, or excise taxes in this account.
- Inasmuch as states, cities, and municipalities differ considerably in the kind of taxes levied, it is impossible to list all of them. Each retailer should be careful to include those taxes in effect in its locality.
- Charges to this account should include taxes of a general operating nature, which are not enumerated elsewhere, such as: personal property taxes; intangible taxes; gross receipts taxes; sales and use taxes paid or due on material used or consumed (excluding all vehicles, stationary, etc., used by the retailer); franchise taxes (fees); and documentary stamps (due on stock certificates).



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OVERHEAD EXPENSES

Line 59 Account 93 – Other Interest

DEBIT with:

1. Interest expense on long and short term loans. This should not include floor plan or mortgage interest.

CREDIT with:

Remarks:

- Record interest paid on long and/or short term loans from owners, officers, banks, or others that are not related to Floorplan or mortgages.
- Record floor plan interest expense in Account 15 – Interest Floorplan, and Mortgage interest expense in Account 86 – Interest – Real Estate Mortgage.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OVERHEAD EXPENSES

Line 60 Account 91 – Depreciation – Other Than Buildings & Improvements

DEBIT with:

1. The monthly portion of depreciation of all equipment, furniture, and signs used in the retailer activities, and recorded in Furniture, Signs, and Equipment.

CREDIT with:

Remarks:

- Rates of depreciation vary according to the type of equipment, use, and other factors. Tax counsel should be obtained before adopting depreciation methods and rates. Governmental tax authorities issue guidelines containing allowable depreciation methods and rates.
- Depreciation records should be properly detailed and maintained.
- Each item of expense should be distributed to the department using the equipment.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

OVERHEAD EXPENSES

Line 61 Account 94 – Equipment Repairs and Rental

DEBIT with:

1. The expense for maintenance and repairs to furniture, signs, and equipment used in the retailer activity.
2. The expense of renting or leasing office equipment, signs, etc., used during regular retailer activities.

CREDIT with:

Remarks:

- Maintenance and repair costs are those which ordinarily do not add to the value or prolong the life of the asset.
- Control of these expenses may be affected through the use of purchase orders.
- Charges to this account should include such items as: repairs to furniture, signs, and office equipment; maintenance to preserve the asset and to prevent future breakdown; replacement parts; and equipment maintenance contracts.
- Some equipment lease agreements are in effect installment purchases rather than actual lease contracts; therefore, the retailer must look to the substance of the agreement rather than its form. Equipment purchased on a lease-purchase arrangement should be recorded as an asset and depreciated over its anticipated useful life. The liability for the lease-purchase should also be recorded. Subsequent payments would then be charged against the liability account.
- The rental and/or lease of computers and software should be charged to Account 79 – IT Applications.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE



ADJUSTMENTS

Line 68 Account 97 – Bonuses – Employees

DEBIT with:

1. Provision for compensation of employees which is in addition to their agreed upon compensation.

CREDIT with:

Remarks:

- This expense account is not departmentalized.
- Bonuses to employees which are based upon retailer profit should be accrued monthly.
- Bonuses are generally paid quarterly or annually, however, the provision for the amount should be made monthly.
- Incentives and overrides not based upon retailer profit should be recorded in the applicable salary, wages, commissions or incentive expense accounts.
- Bonuses recorded in this account are payable at the discretion of executive management.
- When paid, bonuses should be recorded in the payroll journal with applicable payroll taxes deducted.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

ADJUSTMENTS

Line 69 Account 98 – Bonuses – Owners

DEBIT with:

1. Provision for compensation of owners and/or officers which is in addition to their agreed upon compensation.

CREDIT with:

Remarks:

- This expense account is not departmentalized.
- Bonuses to owners and officers which are based upon retailer profit should be accrued monthly.
- Bonuses are generally paid quarterly or annually, however, the provision for the amount should be made monthly. Incentives and overrides not based upon retailer profit should be recorded in the applicable salary account.
- Bonuses recorded in this account are payable at the discretion of executive management. Bonuses paid proprietor or partners should be charged to Drawing (Account 390).
- When paid, bonuses should be recorded in the payroll journal with applicable payroll taxes deducted.



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGES 2 and 3 – DEPARTMENTAL INCOME AND DIRECT EXPENSE

ADJUSTMENTS

Line 72 Account 99 – Estimated Income Taxes

DEBIT with:

1. The estimated federal, state, and local taxes due on the current year's taxable income.

CREDIT with:

1. The total federal, state, and local income taxes due based on year-end adjusted earnings.

Remarks:

- This account balance represents the estimated amount of federal, state, and local income taxes and should be determined and adjusted based on the current year-to-date earnings.
- Each month-end federal, state, and local income taxes should be determined and adjusted by applying the current tax rates to the current year-to-date earnings. The offsetting entry should be to Income Taxes Payable Account 327.
- As with all income and expense accounts when closing the current year, the balance in this account should be transferred to Profit or Loss – Current Account 399.
- Income tax deficiencies levied in the current year, but assessed against prior year's operations, should be charged to Retained Earnings, Account 370.



Additions & Deductions to Income Page 3

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



ADDITIONS TO INCOME

Line 66 Account 802 – Cash Discount Earned

DEBIT with:

CREDIT with:

1. Discounts earned as a result of timely payment of vendor invoices.

Remarks:

- Taking cash discounts offered by vendors is a good financial management practice for the retailer.
- Retailers should make a list of vendors offering early payment discounts and establish procedures internally to take advantage of these discounts if it makes sense for the company and internal controls.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



ADDITIONS TO INCOME

Line 67 Account 801 – Interest Earned

DEBIT with:

CREDIT with:

1. The amount of all interest and/or dividends earned.

Remarks:

- This account includes interest and/or dividends earned from: excess cash on deposit (refer to Cash In Bank ([Account 202](#)), customer notes - refer to Customer Accounts ([Account 220](#)), and marketable securities (refer to Securities ([Account 260](#))).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



ADDITIONS TO INCOME

Line 68 Account 811 – Subaru SSLP/Just DriveIncome

DEBIT with:

CREDIT with:

1. Any amount gained due to excess book value of Subaru SSLP (Subaru Service Loaner Program) vehicles when transferred to Used Vehicle stock.
2. All revenue from SOA related to SSLP vehicle loaner activity
3. All revenue from Just Drive rental program activity

Remarks:

- Incentives earned from SOA during the in-service period to offset depreciation on Service Loaner vehicles. Additionally, there may be income realized when the SSLP unit is taken out of loaner service and sold to the Used Vehicle Department for resale as the book value may exceed the depreciated value. Income adjustments of that nature should be reflected here.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



ADDITIONS TO INCOME

Line 69 Account 809 – Lease & Rental Income

DEBIT with:

1. Any loss resulting from the sale of rental vehicles when removed from service
2. Any loss resulting from sale of lease vehicles when removed from service.

CREDIT with:

1. All revenue related to vehicle rental activity
2. All revenue related to lease vehicles in service.

Remarks:

- Vehicles placed in rental service should be recorded as inventory transfers, not as vehicle sales (refer to Rental Vehicles – Net Balance (Account 266)). Units retired from rental service should be transferred to the used vehicle inventory at estimated wholesale value (plus estimated reconditioning costs) and any variance from the net book value should be included in this account. It is recommended that a rental vehicle record form be maintained.
- The two basic type leases are open end and closed end, either of which might or might not include maintenance. Vehicles placed in leasing service within the retailer operation should be recorded as inventory transfers, not as vehicle sales (refer to Lease Vehicles – Net Balance (Account 265)). New vehicles sold to a separate leasing organization, independent or retailer operated, should be recorded as fleet sales. Units retired from retailer operated leasing service should be transferred to the used vehicle inventory. Such transfers should be made at estimated wholesale value (plus estimated reconditioning costs) with any variance from net book value recorded in this account. It is recommended that a lease vehicle record form be maintained.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



ADDITIONS TO INCOME

Line 70 Account 810 – Other Income Subaru

DEBIT with:

CREDIT with:

1. Additional income from SOA that may be paid, for example; LOVE Promise/LPCCAP, SAS Retailer Rewards, Market Development Facility Construction Support, Retailer Monthly Bonus (RMB) RMB should only be accounted for here if there are Service Department OLP or other non-Sales Department qualifiers. If RMB is a straight sales unit objective, RMB should go to vehicle cost, or if not booked to each individual vehicle, it would go against cost of sales account Incentives – Subaru (Account 6011)
2. All miscellaneous income not otherwise classified or provided for in the Chart of Accounts that is related to the SUBARU brand only.

Remarks:

- This account reflects items of miscellaneous income such as transfer of non-automotive units to other dealers; vending machine income, sale of waste oil, sale of scrap metal or batteries, gain on sale of fixed assets, unredeemed service coupons and performance guarantees, amounts recovered in receivables written-off in prior accounting years, and amounts recovered in adjustment of special reserves not otherwise provided for. For non-Subaru related Other Income, use Account 805 "Other Income".
- A detailed schedule of this account should be provided and maintained for audit and tax purposes.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



ADDITIONS TO INCOME

Line 71 Account 805 – Other Income Non Subaru

DEBIT with:

CREDIT with:

1. All miscellaneous income not otherwise classified or provided for in the Chart of Accounts that is related to the brands other than Subaru.

Remarks:

- This account reflects items of miscellaneous income that is not related to the Subaru brand such as transfer of non-automotive units to other dealers; vending machine income, sale of waste oil, sale of scrap metal or batteries, gain on sale of fixed assets, unredeemed service coupons and performance guarantees, amounts recovered in receivables written-off in prior accounting years, and amounts recovered in adjustment of special reserves not otherwise provided for. For Subaru related Other Income, use Account 810 "Other Income - Subaru".
- A detailed schedule of this account should be provided and maintained for audit and tax purposes.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



ADDITIONS TO INCOME

Line 72 Account 803 – Doc and Admin Fees – New Vehicles

DEBIT with:

CREDIT with:

1. All Documentation or Administrative fees allowable by law to be collected on a new vehicle sales contract.

Remarks:

- Certain states have limitations as to the amount and legality of doc fees on vehicle sales contracts. Check with your state Department of Motor Vehicles to assure compliance. This income should be recorded in Account 803 as opposed to the vehicle gross profit since the amount allowable varies by state. This provides for a more accurate gross profit comparison between dealers.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



ADDITIONS TO INCOME

Line 73 Account 804 – Doc and Admin Fees – Used Vehicles

DEBIT with:

CREDIT with:

1. All Documentation or Administrative fees allowable by law to be collected on a used vehicle sales contract.

Remarks:

- Certain states have limitations as to the amount and legality of doc fees on vehicle sales contracts. Check with your Department of Motor Vehicles to assure compliance. This income should be recorded here as opposed to the vehicle gross profit since the amount allowable varies by state. This provides for a more accurate gross profit comparison between dealers.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



ADDITIONS TO INCOME

Line 74 Account 806 – LIFO Adjustment (Decrease Reserve)

DEBIT with:

1. Amount required to **decrease** LIFO reserve for vehicles, used vehicles, and/or Parts inventory during the current accounting year.

CREDIT with:

Remarks:

- The calculation of LIFO Reserve and the supporting documentation required to substantiate the reserve amounts are complicated. Any decision to adopt the LIFO method of inventory valuation and procedures adopted for accounting and financial reporting under LIFO should be made with the advice of competent tax counsel.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



DEDUCTIONS FROM INCOME

Line 66 Account 852 – Cash Discount Allowed

DEBIT with:

1. Discounts allowed to credit customers for payment of charges within discount period.
2. Discounts allowed for cash payments versus credit card or charge account payments.

CREDIT with:

Remarks:

- This account should only be used by retailers offering discounts for early payment to their charge customers.
- Discounts related to service coupons should be charged to Account 49 – Advertising Service, Parts & Body Shop.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



DEDUCTIONS FROM INCOME

Line 67 Account 854 – Casualty Losses

DEBIT with:

1. Deductible amount on insurance claims
2. Property damage and theft losses in excess of insured amount.
3. Casualty losses for which the retailer carries no insurance coverage

CREDIT with:

1. Adjustments to previously recorded losses.

Remarks:

- This account is specifically created for losses that occur in other than the normal course of retailer business, e.g., a hail storm that damages several vehicles on the lot and causes financial loss due to a large insurance deductible. This one-off loss should not penalize specific departments as it is an act of nature and not a normal business occurrence.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



DEDUCTIONS FROM INCOME

Line 68 Account 860 – Subaru SSLP/Just Drive Expense

DEBIT with:

1. Expenses related to the Subaru SSLP (Subaru Service Loaner Program).and Just Drive Rental Program

CREDIT with:

Remarks:

- Expenses that may occur with the SSLP program would be related to depreciation, gasoline, maintenance, repairs, license fees, titles, taxes and salaries and wages for dedicated staff for SSLP units. Any difference in appraised value at the end of its term, versus depreciated book value that is negative to the dealership should be posted to this account as a deduction from income.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



DEDUCTIONS FROM INCOME

Line 69 Account 859 – Lease & Rental Expense

DEBIT with:

1. Expense related to lease and rental vehicles when the respective activity is part of the retailer operation and in accordance with the contractual terms.

CREDIT with:

Remarks:

- Included in this account are such items as gasoline, maintenance, repairs, license fees, titles, taxes, depreciation, insurance, interest, salaries, wages, commissions, pick-up/delivery, advertising/promotion, and bad debts.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



DEDUCTIONS FROM INCOME

Line 70 Account 857 – Other - Subaru

DEBIT with:

1. All deductions of a miscellaneous nature not otherwise provided for in the Chart of Accounts that are related to the Subaru brand only.

CREDIT with:

Remarks:

- Included in this account are items such as: loss on sale of fixed assets; excess of premiums paid (over that portion of premiums representing the increase in cash surrender value) on life insurance policies where the retailer is the beneficiary (refer to Life Insurance – Cash Value (Account 291)); life insurance premiums paid on lives of owners, write-off of organization expenses, moving expenses, fees or commissions paid brokers or others for arranging capital loans, mortgages, etc., bank charges, and cash shortages.
- Separate general ledger accounts (for example 857A, 857B) may be established for each deduction. However, these accounts should be combined and shown in total in Account 857 on the Subaru Dealer Financial Statement. A detailed schedule for this account should be provided and maintained for audit purposes.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



DEDUCTIONS FROM INCOME

Line 71 Account 855 – Other (non-Subaru related)

DEBIT with:

1. All deductions of a miscellaneous nature not otherwise provided for in the Chart of Accounts that are related to any brand other than Subaru.

CREDIT with:

Remarks:

- Included in this account are items such as: loss on sale of fixed assets; excess of premiums paid (over that portion of premiums representing the increase in cash surrender value) on life insurance policies where the retailer is the beneficiary (refer to Life Insurance – Cash Value ([Account 291](#))); life insurance premiums paid on lives of owners, write-off of organization expenses, moving expenses, fees or commissions paid brokers or others for arranging capital loans, mortgages, etc., bank charges, and cash shortages.
- Separate general ledger accounts (for example 855A, 855B) may be established for each deduction. However, these accounts should be combined and shown in total in Account 855 on the Subaru Dealer Financial Statement. A detailed schedule for this account should be provided and maintained for audit purposes.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



DEDUCTIONS FROM INCOME

Line 72 Account 853 – Doc & Admin Fee Deductions

DEBIT with:

1. All deductions or adjustments as a result of Documentation or Administration fees being refunded or adjusted.

CREDIT with:

Remarks:

- If Documentation and Administration fees income needs to be debited, use this account for adjustments.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 3 – ADDITIONS AND DEDUCTIONS TO INCOME



DEDUCTIONS FROM INCOME

Line 74 Account 856 – LIFO Adjustment (Increase Reserve)

DEBIT with:

1. Amount required to **increase** LIFO reserve for new vehicles, used vehicles, and/or Parts inventory during the current accounting year.

CREDIT with:

Remarks:

- The calculation of LIFO Reserve and the supporting documentation required to substantiate the reserve amounts are complicated. Any decision to adopt the LIFO method of inventory valuation and procedures adopted for accounting and financial reporting under LIFO should be made with the advice of competent tax counsel.



New & Used Gross Profit Analysis Page 4



SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS

NEW VEHICLE DEPARTMENT – Subaru Retail

Line 1 - 15 – Subaru Retail

Line 1 Forester	Sales Account 416	Cost of Sales Account 616
Line 2 Forester Hybrid	Sales Account 420	Cost of Sales Account 620
Line 3 WRX/STI	Sales Account 406	Cost of Sales Account 606
Line 4 Impreza	Sales Account 408	Cost of Sales Account 608
Line 5 Legacy	Sales Account 409	Cost of Sales Account 609
Line 6 Outback	Sales Account 411	Cost of Sales Account 611
Line 7 BRZ	Sales Account 419	Cost of Sales Account 619
Line 8 Crosstrek	Sales Account 443	Cost of Sales Account 643
Line 9 Crosstrek Hybrid	Sales Account 444	Cost of Sales Account 644
Line 10 Ascent	Sales Account 400	Cost of Sales Account 600
Line 11 Solterra EV	Sales Account 404	Cost of Sales Account 604
Line 12 Trailseeker – EV	Sales Account 435	Cost of Sales Account 635
Line 13 Uncharted - EV	Sales Account 437	Cost of Sales Account 637

DEBIT Cost of Sales with:

1. The inventory value of all new vehicles sold.

CREDIT Sales with:

1. The net sales price of new cars sold at retail.

Remarks:

- Each vehicle sale should be costed individually. The cost of the vehicle should be determined from the vehicle inventory record. The vehicle inventory record should reflect manufacturer/distributor invoice cost **less vehicle holdback** (refer to Holdback Receivables - Subaru ([Account 218](#)) **and less Market Assistance** (if applicable – credit cost of the unit and debit Factory Receivable Account 227)
- **Internal “Packs” (whether hard or soft) should not affect the true gross profit recorded in the New Vehicle Department Income Statement. Pack amounts are not to be directed to Other Income or recorded as accruals for other purposes. Do not distort the gross profit of vehicles for internal commission purposes or other individual dealer driven adjustments.**
- Incentive earnings derived from the sale of eligible Subaru vehicles should be credited to the appropriate Cost of Sales account (for example, Legacy – Account 609). This is the preferred treatment of incentives by SOA. If absolutely necessary, Incentive Accounts are provided for those Retailers who need them. See Account 6011 – Incentives Subaru (ICE vehicles), and Account 6011EV – Incentives Subaru (Electric vehicles).
- Under and over allowances on used vehicle trades, if applicable, should be adjusted to the appropriate carline under and over allowances.
- Cars transferred or exchanged between dealers are not to be considered as sales; instead, they should be debited and/or credited to the appropriate new car inventory account as transfers. These transactions should be recorded in the new vehicle purchase journal.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



- Demonstrators should be handled in compliance with respective state laws. They should not be recorded as new car sales until sold to the end user.
- Care should be exercised when recording transfers of optional equipment and accessories between units to facilitate correct billing and costing. All sales and cost data should be recorded on the vehicle inventory record at the time of sale.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW VEHICLE DEPARTMENT – Subaru Retail

Under and Over allowance accounts (*not shown on the Subaru Dealer Financial Statement*)

Forester	Account 416A
Forester Hybrid	Account 420A
WRX/STI	Account 406A
Impreza	Account 408A
Legacy	Account 409A
Outback	Account 411A
Tribeca	Account 418A
BRZ	Account 419A
Crosstrek	Account 443A
Crosstrek Hybrid	Account 444A
Ascent	Account 400A
Solterra EV	Account 404A
Trailseeker - EV	Account 435A
Uncharted - EV	Account 437A

DEBIT with:

1. The amount allowed over the current wholesale value (less reconditioning costs) of a used vehicle accepted in trade.

CREDIT with:

1. The amount of under allowance on a used vehicle accepted as a trade in.

Remarks:

- Under and over allowance accounts are provided for those retailers desiring their use for management purposes; or where use is required by law.
- Under and over allowances should be treated as an adjustment to the sale when the new vehicle sale is recorded.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW VEHICLE DEPARTMENT

Line 11 Cost of Sales Account 6011 – New Subaru Incentives (ICE Vehicles)

CREDIT Sales with:

1. Promotional allowances earned from Subaru on the sale or purchase of new Subaru ICE vehicles, e.g., Dealer Cash, “Stair Step” Bonuses, Retailer Monthly Bonus, etc. if desired by the Retailer’s management structure. It is **preferred** that all Subaru incentives are directly credited to the carline cost of sales, instead of using this account.

Remarks:

- Incentives should be recorded when earned and not when payment is received from Subaru of America.
- The receivable for Incentives earned should be recorded in Account 227 – Factory Receivables – Subaru. A schedule should be created and maintained until all claims are paid with identifying VIN, stock number, customer name, date of sale, etc.
- Schedule should be reviewed monthly and all unpaid incentive claims followed up on a timely basis.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW VEHICLE DEPARTMENT

Line 17 Cost of Sales Account 6011EV – New Subaru Incentives – Electric Vehicles

CREDIT Sales with:

1. Promotional allowances earned from Subaru on the sale or purchase of new Subaru EV's, e.g., Dealer Cash, "Stair Step" Bonuses, Retailer Monthly Bonus, etc. if desired by the Retailer's management structure. It is **preferred** that all Subaru incentives are directly credited to the carline cost of sales instead of using this account.

Remarks:

- Incentives should be recorded when earned and not when payment is received from Subaru of America.
- The receivable for Incentives earned should be recorded in Account 227 – Factory Receivables – Subaru. A schedule should be created and maintained until all claims are paid with identifying VIN, stock number, customer name, date of sale, etc.
- Schedule should be reviewed monthly and all unpaid incentive claims followed up on a timely basis.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW VEHICLE DEPARTMENT

Line 19 Sales Account 415 Cost of Sales Account 615 – Subaru Fleet

DEBIT Cost of Sales with:

1. The inventory value of Subaru fleet units sold.

CREDIT Sales with:

1. The sales price of all Subaru units sold to fleet customers (as defined below).

Remarks:

- Discounts and over allowances on fleet vehicle sales should be netted against the gross sale amount, in as much as a separate account has not been provided for these items.
- For accounting clarification, the following classifications and/or conditions will serve as a guide in determining fleet vehicle sales: all units sold to state and local governmental agencies, such as state offices or city, county, township, etc. (vehicles sold to these agencies are usually done so under "Special Bids"); all units sold to public utilities (municipally or privately owned); all taxicabs; all police cars; driver education vehicles actually sold to educational institutions (including professional and private schools) on an unrestricted basis (title passing to such institution); and all units sold to lease and rental companies where title passes to the lease or rental company.
- All sales and cost data should be recorded on the vehicle inventory record at the time of sale.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW SUBARU DEPARTMENT

Line 21 Cost of Sales Account 471A – Finance Income - New

DEBIT with:

1. The Adjustments other than charge backs to reduce finance income. Use Account 476A – Chargeback's & Repo Losses to record charge backs due to early pay-off or repossession on recourse contracts.

CREDIT with:

1. Net Finance income derived from the sale of finance or lease contracts to various financial institutions.

Remarks:

- Finance income should be determined at the time the vehicle sale is consummated. Income should then be recorded at the same time the vehicle sale is entered into accounting.
- Monthly statements from financial institutions should be reconciled promptly and any discrepancies researched and resolved. Any under or over statement of income should be charged back to Account 471A.
- Charge backs on finance income due to early contract termination or repossession should be charge to Account 476A - Charge Backs & Repo losses.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW SUBARU DEPARTMENT

Line 22 Cost of Sales Account 472A – Insurance Income

DEBIT with:

1. Adjustments other than charge backs to reduce Insurance Income. Use Account 476A – Charge Backs & Repo Losses to record charge backs due to early termination or cancellation of insurance for any reason.

CREDIT with:

1. Commissions earned on credit life, accident and health insurance sold to customers.

Remarks:

- Insurance commission income should be calculated at the time the deal is finalized. Insurance income should then be recorded in the accounting records at the time the vehicle sale is recorded.
- Insurance carriers should provide detailed schedules of commissions owed and/or paid to the retailer. Reconcile these schedules against the insurance income recorded for each transaction. Any discrepancies of income calculation should be charged back to Account 472A. Record the net of selling price, less cost of the contract in this account.

Charge backs on insurance income for early termination or due to vehicle repossession should be charged to Account 476A – Charge Backs & Repo Losses.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW SUBARU DEPARTMENT

Line 23 Sales Account 473A Cost of Sales Account 673A – SAS Mechanical Service Contracts

DEBIT with:

1. Adjustments to reduce the amount of income from SAS Mechanical service contracts. Use Account 476A – Charge Backs & Repo Losses to record charge backs due to cancellation of service contracts.

CREDIT with:

1. The sale of SAS Mechanical service contracts to new vehicle customers.

Remarks:

- Service contract sale price should be determined at the time the deal is finalized. This allows service contract income to be recorded along with the vehicle sale. Credit the sales price to Account 473A and debit the cost of the service contract to 673A. Any discrepancies between anticipated income amount and actual amount earned from Subaru Service Contracts should be adjusted against Account 673A.
- Charge backs on service contract income from early terminations or cancellations should be charged to Account 476A – Charge Backs & Repo Losses.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW SUBARU DEPARTMENT

Line 24 Sales Account 479A Cost of Sales Account 679A – SAS Maintenance Plan Contracts

DEBIT with:

2. Adjustments to reduce the amount of income from SAS Maintenance Plan contracts. Use Account 476A – Charge Backs & Repo Losses to record charge backs due to cancellation of service contracts.

CREDIT with:

2. The sale of SAS Maintenance Plan contracts to new vehicle customers.

Remarks:

- Service contract sale price should be determined at the time the deal is finalized. This allows service contract income to be recorded along with the vehicle sale. Credit the sales price to Account 479A and debit the cost of the service contract to 679A. Any discrepancies between anticipated income amount and actual amount earned from Subaru Service Contracts should be adjusted against Account 679A.

Charge backs on service contract income from early terminations or cancellations should be charged to Account 476A – Charge Backs & Repo Losses.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW SUBARU DEPARTMENT

Line 25 Sales Account 474A Cost of Sales Account 674A – Other Mechanical/Maintenance Contracts

DEBIT with:

1. Adjustments to reduce the amount of income from service contracts other than Subaru Service Contracts. Use Account 476A – Charge Backs & Repo Losses to record charge backs due to cancellation of service contracts.

CREDIT with:

1. Income generated from the sale of other than Subaru Service Contracts to new vehicle customers.

Remarks:

- Income from service contract sales should be determined at the time the deal is finalized. This allows service contract income to be recorded along with the vehicle sale. Credit the sales price of the Service Contract to Account 474A and debit the cost of the contract to 674A. Any subsequent cost adjustments should be charged to 674A.

Charge backs on service contract income from early terminations or cancellations should be charged to Account 476A – Charge Backs & Repo Losses.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW SUBARU DEPARTMENT

Line 26 Sales Account 478A Cost of Sales Account 678A – GAP Insurance Contracts

DEBIT with:

1. Adjustments other than charge backs to reduce GAP Insurance Income. Use Account 476A – Charge Backs & Repo Losses to record charge backs due to early termination or cancellation of insurance for any reason.

CREDIT with:

1. Commissions earned on GAP insurance sold to customers.

Remarks:

- Insurance commission income should be calculated at the time the deal is finalized. Insurance income should then be recorded in the accounting records at the time the vehicle sale is recorded.
- Insurance carriers should provide detailed schedules of commissions owed to the retailer. Reconcile these schedules against the insurance income recorded for each transaction. Any discrepancies of income calculation should be charged back to Account 478A. Credit the sales price of the Gap Insurance contract to 478A and debit the cost of the contract to Account 678A. Any subsequent cost adjustments should go to Account 678A.
- Charge backs on insurance income for early termination or due to vehicle repossession should be charged to Account 476A – Charge Backs & Repo Losses.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW SUBARU DEPARTMENT

Line 27 Sales Account 476A Cost of Sales Account 676A – Charge Backs & Repo Losses

DEBIT with:

1. Amount charged back for early payoff of finance contracts, insurance contracts, or extended service contracts.
2. Actual losses incurred due to repossession of a customer vehicle.
3. Provisions for anticipated losses in the event the retailer participates in recourse contracts, or offers in-house finance arrangements.

CREDIT with:

1. The only credit entries to this account should be to adjust or correct a previous debit entry, or reduce an accrual at year end if actual losses did not occur, but were accrued for.

Remarks:

- Charge backs should be reviewed by management to assure they are valid and not excessive as compared to other retailers. Excessive charge backs may be a result of a lack of controls in the F& I department.
- Every effort should be made to keep costs down when repossessing a vehicle and the customer should be billed for all allowable charges they are responsible for. Be sure to consider charge backs as part of compensation plans for those paid commissions on F&I Income.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW SUBARU DEPARTMENT

Line 28 Sales Account 477A Cost of Sales Account 677A – Aftermarket Income

DEBIT with:

1. Adjustments to reduce the amount of income previously recorded on Aftermarket Sales.

CREDIT with:

1. Income generated from the sale of Aftermarket items on new Subaru vehicles. Examples of these items are: Paint and fabric protections, Tire insurance, Anti-theft window etching, e.g., non-tangible items.

Remarks:

- Income from Aftermarket items should be recorded at the time the vehicle sale is accounted for. Credit sales with the amount the customer was charged for the product and debit cost of sales with the actual cost of the product.
- Tangible devices, such as DVD players, should be a part of the cost of the vehicle and not recorded in aftermarket income. This account should only be used for the net income earned on 'non-tangible' items as described above.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW OTHER DEPARTMENT

Line 31 Sales Account 423 Cost of Sales Account 623 – Other Makes - Retail

DEBIT Cost of Sales with:

1. The inventory value of all other make new vehicles

CREDIT Sales with:

1. The gross sales price of all other make new vehicles sold to retail customers.

Remarks:

- Care should be exercised when recording transfers of optional equipment and accessories between units to facilitate correct billing and costing. All sales and cost data should be recorded on the vehicle inventory record at the time of sale.
- Incentive earnings derived from the sale of eligible other make new vehicles should be credited to Account 623.
- Vehicles transferred or exchanged between dealers should be debited and/or credited as transfers to New Vehicles – Other (Account 231B). These transactions should be recorded in the new vehicle purchase journal.
- Demonstrators should be handled in compliance with respective state laws. They should not be recorded as new vehicle sales until sold to the end user.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW OTHER DEPARTMENT

Line 32 Sales Account 422 Cost of Sales Account 622 – Other Makes - Fleet

DEBIT Cost of Sales with:

1. The inventory value of other makes fleet units sold.

CREDIT Sales with:

1. The sales price of all other makes units sold to fleet customers (as defined below).

Remarks:

- Discounts and over allowances on fleet vehicle sales should be netted against the gross sale amount, in as much as a separate account has not been provided for these items.
- For accounting clarification, the following classifications and/or conditions will serve as a guide in determining fleet vehicle sales: all units sold to state and local governmental agencies, such as state offices or city, county, etc. (vehicles sold to these agencies are usually done so under "Special Bids"); all units sold to public utilities (municipally or privately owned); all taxicabs; all police cars; driver education vehicles actually sold to educational institutions (including professional and private schools) on an unrestricted basis (title passing to such institution); and all units sold to lease and rental companies where title passes to the lease or rental company.
- All sales and cost data should be recorded on the vehicle inventory record at the time of sale.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS

FINANCIAL STATEMENT PAGE 4 – SALES AND GROSS PROFIT ANALYSIS



NEW OTHER DEPARTMENT

Line 33 Sales Account 426 Cost of Sales Account 626 – F&I New Other Makes

DEBIT with:

1. The Adjustments other than charge backs to reduce finance and insurance income. Chargeback's & Repo Losses on New Other Make vehicles should be included in this account.

CREDIT with:

1. Net Finance, Insurance, Service Contract, and Aftermarket income derived from the sale new other-make vehicles.

Remarks:

- Finance, Insurance, Service Contract and Aftermarket Sales and Cost of Sales should be determined at the time the vehicle sale is consummated. Income should then be recorded at the same time the vehicle sale is entered into accounting.
- Monthly statements from financial institutions, service contract companies and insurance providers should be reconciled promptly and any discrepancies researched and resolved. Any under or over statement of income should be charged back to Account 626.
- Charge backs due to early contract termination or repossession for other than Subaru vehicles should be netted to this account.

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USED VEHICLE DEPARTMENT

Line 36 Sales Account 4128 Cost of Sales Account 6128 – Certified Used Subaru – Retail

DEBIT Cost of Sales with:

1. The current inventory value (excluding reconditioning costs) of **used Certified Subaru vehicles** retailed.

CREDIT Sales with:

1. The gross sales price of **used Certified Subaru vehicles** sold at retail.

Remarks:

- When used vehicles are sold at retail, reconditioning costs should be recorded separately to Certified Used Subaru-Retail Reconditioning (Account 636) in the used vehicle sales journal.
- Charges incurred for separate items, such as title search fees, should be included in the cost of sales of the vehicle. Such items should not be considered as offsetting credits to expense or as other income unless required by law.
- Discounts and over allowances on used vehicle sales should be netted against the gross sale amount inasmuch as a separate account has not been provided for these items.
- All sales and cost data should be recorded on the vehicle inventory record, at the time of sale.

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USED VEHICLE DEPARTMENT

Line 37 Cost of Sales Account 636 – Certified Used Subaru – Reconditioning (Memo)

DEBIT Cost of Sales with:

1. The reconditioning costs for retail sales of **used Certified Subaru vehicles**.

CREDIT with:

Remarks:

- The amount shown on this line should be memo only and the total amount of Certified Used Subaru reconditioning should ALREADY be included as a cost of sale on Certified Used Subaru Retail Gross Profit line 28.
- The balance in this account represents the total reconditioning costs on Used Certified Subaru Vehicles sold at retail. Reconditioning costs should remain in inventory as part of the unit cost until such time as the unit is sold. Reconditioning costs should be carefully estimated when the unit is accepted. Proper used vehicle appraisal will aid in determining what reconditioning is required and its relative cost.
- Actual reconditioning costs of each used unit should be compared with the estimated reconditioning cost made at the time of the original appraisal. Large variances should be reviewed by the dealer with the used vehicle manager, the appraiser, and the service manager or used vehicle reconditioning manager.

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USED VEHICLE DEPARTMENT

Line 38 Sales Account 4122 Cost of Sales Account 6122 – Non-Certified Used Subaru – Retail

DEBIT Cost of Sales with:

1. The current inventory value (excluding reconditioning costs) of **used Non-Certified Subaru vehicles** retailed.

CREDIT Sales with:

1. The gross sales price of **used Non-Certified Subaru vehicles** sold at retail.

Remarks:

- When used vehicles are sold at retail, reconditioning costs should be recorded separately to Non-Certified Used Subaru Reconditioning (Account 638) in the used vehicle sales journal.
- Charges incurred for separate items, such as title search fees, should be included in the cost of sales of the vehicle. Such items should not be considered as offsetting credits to expense or as other income unless required by law.
- Discounts and over allowances on used vehicle sales should be netted against the gross sale amount inasmuch as a separate account has not been provided for these items.
- All sales and cost data should be recorded on the vehicle inventory record, at the time of sale.

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USED VEHICLE DEPARTMENT

Line 39 Cost of Sales Account 638 – Non-Certified Used Subaru – Reconditioning – (Memo)

DEBIT Cost of Sales with:

1. The reconditioning costs for retail sales of **used Non-Certified Subaru vehicles**.

CREDIT with:

Remarks:

- The amount shown on this line should be memo only and the total amount of Non-Certified Used Subaru reconditioning should ALREADY be included as a cost of sale on Non-Certified Used Subaru Retail Gross Profit line 30.
- The balance in this account represents the total reconditioning costs on Used Non-Certified Subaru Vehicles sold at retail. Reconditioning costs should remain in inventory as part of the unit cost until such time as the unit is sold. Reconditioning costs should be carefully estimated when the unit is accepted. Proper used vehicle appraisal will aid in determining what reconditioning is required and its relative cost.
- Actual reconditioning costs of each used unit should be compared with the estimated reconditioning cost made at the time of the original appraisal. Large variances should be reviewed by the dealer with the used vehicle manager, the appraiser, and the service manager or used vehicle reconditioning manager.

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USED VEHICLE DEPARTMENT

Line 40 Sales Account 440 Cost of Sales Account 640 – Used Other – Retail

DEBIT Cost of Sales with:

1. The current inventory value (excluding reconditioning costs) of used other vehicles retailed.

CREDIT Sales with:

1. The gross sales price of used other vehicles sold at retail.

Remarks:

- This account should be used for all used vehicles other than Subaru brand vehicles. When used vehicles are sold at retail, reconditioning costs should be recorded separately to Used Other Reconditioning (Account 631) in the used vehicle sales journal.
- Charges incurred for separate items, such as title search fees, should be included in the cost of sales of the vehicle. Such items should not be considered as offsetting credits to expense or as other income unless required by law.
- Discounts and over allowances on used vehicle sales should be netted against the gross sale amount inasmuch as a separate account has not been provided for these items.
- All sales and cost data should be recorded on the vehicle inventory record, at the time of sale.

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USED VEHICLE DEPARTMENT

Line 41 Cost of Sales Account 631 – Used Other – Reconditioning – (Memo)

DEBIT Cost of Sales with:

1. The reconditioning costs for retail sales of used other vehicles.

CREDIT with:

Remarks:

- The amount shown on this line should be memo only and the total amount of Used Other reconditioning should ALREADY be included as a cost of sale on Used Other Retail Gross Profit line 32.
- The balance in this account represents the total reconditioning costs on Used Other Vehicles sold at retail. Reconditioning costs should remain in inventory as part of the unit cost until such time as the unit is sold.
- Reconditioning costs should be carefully estimated when the unit is accepted. Proper used vehicle appraisal will aid in determining what reconditioning is required and its relative cost.
- Actual reconditioning costs of each used unit should be compared with the estimated reconditioning cost made at the time of the original appraisal. Large variances should be reviewed by the dealer with the used vehicle manager, the appraiser, and the service manager or used vehicle reconditioning manager.

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USED VEHICLE DEPARTMENT

Line 43 Sales Account 433 Cost of Sales Account 633 – Used Wholesale

DEBIT Cost of Sales with:

1. The current inventory value of used vehicles wholesaled.

CREDIT Sales with:

1. The net sales price of used vehicles sold at wholesale.

Remarks:

- All sales and cost data should be recorded on the vehicle inventory record, at the time of sale.
- Unusual or repeated losses on Wholesale vehicles should be monitored and brought to the attention of the Dealer Principal.

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USED VEHICLE DEPARTMENT

Line 44 Cost of Sales Account 634 – Adjustment Used Vehicle Inventory

DEBIT Cost of Sales with:

1. Write-down of used cars in inventory to current estimated wholesale value

CREDIT with:

Remarks:

- This account is used to reflect re-valuation of used vehicle inventory due to depreciation.
- Aged vehicles, usually over 60 days, should be reviewed for depreciation and adjusted to accurately reflect assets on the balance sheet.
- Each used vehicle in inventory should be reviewed to ensure proper valuation. A vehicle's adjusted value should be recorded on the appropriate vehicle inventory record.

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USED VEHICLE DEPARTMENT

Line 46 Cost of Sales Account 471B – Finance Income - Used

DEBIT with:

1. The Adjustments other than charge backs to reduce finance income. Use Account 476B – Used Chargeback's & Repo Losses to record charge backs due to early pay-off or repossession on recourse contracts.

CREDIT with:

1. Net Finance income derived from the sale of finance contracts to various financial institutions.

Remarks:

- Finance income should be determined at the time the vehicle sale is consummated. Income should then be recorded at the same time the vehicle sale is entered into accounting.
- Monthly statements from financial institutions should be reconciled promptly and any discrepancies researched and resolved. Any under or over statement of income should be charged back to Account 471B.
- Charge backs on finance income due to early contract termination or repossession should be charge to Account 476B – Used Charge Backs & Repo losses.

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USED VEHICLE DEPARTMENT

Line 47 Cost of Sales Account 472B – Insurance Income

DEBIT with:

1. Adjustments other than charge backs to reduce Insurance Income. Use Account 476B – Used Charge Backs & Repo Losses to record charge backs due to early termination or cancellation of insurance for any reason.

CREDIT with:

1. Commissions earned on credit life, accident and health insurance sold to customers.

Remarks:

- Insurance commission income should be calculated at the time the deal is finalized. Insurance income should then be recorded in the accounting records at the time the vehicle sale is recorded.
- Insurance carriers should provide detailed schedules of commissions owed and/or paid to the retailer. Reconcile these schedules against the insurance income recorded for each transaction. Any discrepancies of income calculation should be charged back to Account 472B.

Charge backs on insurance income for early termination or due to vehicle repossession should be charged to Account 476B – Used Charge Backs & Repo Losses.

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USED VEHICLE DEPARTMENT

Line 48 Sales Account 473B Cost of Sales Account 673B – SAS Mechanical Service Contracts

DEBIT with:

1. Adjustments to reduce the amount of income from SAS Mechanical service contracts. Use Account 476B – Used Charge Backs & Repo Losses to record charge backs due to cancellation of service contracts.

CREDIT with:

1. Income generated from the sale of SAS Mechanical contracts to used vehicle customers.

Remarks:

- Income from service contract sales should be determined at the time the deal is finalized. This allows service contract income to be recorded along with the vehicle sale. Credit the selling price to 473B and debit the cost of the Service Contract to 673B. Any discrepancies between anticipated income amount and actual amount earned from Subaru Service Contracts should be adjusted against Account 673B.
- Charge backs on service contract income from early terminations or cancellations should be charged to Account 476B – Used Charge Backs & Repo Losses.

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USED VEHICLE DEPARTMENT

Line 49 Sales Account 479B Cost of Sales Account 679B – SAS Maintenance Plan Contracts

DEBIT with:

2. Adjustments to reduce the amount of income from SAS Maintenance Plan contracts. Use Account 476B – Used Charge Backs & Repo Losses to record charge backs due to cancellation of service contracts.

CREDIT with:

2. Income generated from the sale of SAS Maintenance Plan contracts to used vehicle customers.

Remarks:

- Income from service contract sales should be determined at the time the deal is finalized. This allows service contract income to be recorded along with the vehicle sale. Credit the selling price to 479B and debit the cost of the Service Contract to 679B. Any discrepancies between the anticipated income amount and actual amount earned from SAS Maintenance Plan Contracts should be adjusted against Account 679B.
- Charge backs on service contract income from early terminations or cancellations should be charged to Account 476B – Used Charge Backs & Repo Losses.

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USED VEHICLE DEPARTMENT

Line 50 Sales Account 474B Cost of Sales Account 674B – Other Mechanical/Maintenance Contracts

DEBIT with:

1. Adjustments to reduce the amount of income from Other Mechanical/Maintenance contracts. Use Account 476B – Used Charge Backs & Repo Losses to record charge backs due to cancellation of service contracts.

CREDIT with:

1. Income generated from the sale of Other Mechanical/Maintenance contracts to used vehicle customers.

Remarks:

- Income from service contract sales should be determined at the time the deal is finalized. This allows service contract income to be recorded along with the vehicle sale. Credit the sale amount of the contract to Account 474B, and debit the cost to 674B. Adjust differences to 674B if there is a discrepancy.
- Charge backs on service contract income from early terminations or cancellations should be charged to Account 476B – Used Charge Backs & Repo Losses.

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USED VEHICLE DEPARTMENT

Line 51 Sales Account 478B Cost of Sales Account 678B – Gap Insurance Contracts

DEBIT with:

1. Adjustments other than charge backs to reduce GAP Insurance Income. Use Account 476B – Used Charge Backs & Repo Losses to record charge backs due to early termination or cancellation of insurance for any reason.

CREDIT with:

1. Commissions earned on GAP insurance sold to customers.

Remarks:

- Insurance commission income should be calculated at the time the deal is finalized. Insurance income should then be recorded in the accounting records at the time the vehicle sale is recorded.
- Insurance carriers should provide detailed schedules of commissions owed to the retailer. Reconcile these schedules against the insurance income recorded for each transaction. Any discrepancies of income calculation should be charged back to Account 678B.
- Charge backs on insurance income for early termination or due to vehicle repossession should be charged to Account 476B – Used Charge Backs & Repo Losses.

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USED VEHICLE DEPARTMENT

Line 52 Cost of Sales Account 676B – Charge Backs & Repo Losses

DEBIT with:

1. Amount charged back for early payoff of finance contracts, insurance contracts, or extended service contracts.
2. Actual losses incurred due to repossession of a customer vehicle.
3. Provisions for anticipated losses in the event the retailer participates in recourse contracts, or offers in-house finance arrangements.

CREDIT with:

1. The only credit entries to this account should be to adjust or correct a previous debit entry, or reduce an accrual at year end if actual losses did not occur, but were accrued for.

Remarks:

- Charge backs should be reviewed by management to assure they are valid and not excessive as compared to other retailers. Excessive charge backs may be a result of a lack of controls in the F& I department.
- Every effort should be made to keep costs down when repossessing a vehicle and the customer should be billed for all allowable charges they are responsible for. Be sure to consider charge backs as part of compensation plans for those paid commissions on F&I Income.

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USED VEHICLE DEPARTMENT

Line 53 Sales Account 477B Cost of Sales Account 677B – Aftermarket Income

DEBIT with:

1. Adjustments to reduce the sale price, or reverse sales previously recorded in Aftermarket Sales.

CREDIT with:

1. Income generated from the sale of Aftermarket items on used vehicles. Examples of these items are: Paint and fabric protections, Tire insurance, Anti-theft window etching, e.g., non-tangible items.

Remarks:

- Income from Aftermarket items should be recorded at the time the vehicle sale is accounted for. Credit the sale price of Aftermarket items to Account 477B, and debit the cost of Aftermarket items to 677B. Any subsequent adjustments due to cost variances should be adjusted to Account 677B.
- Tangible devices, such as DVD players, should be a part of the cost of the vehicle and not recorded in aftermarket income. This account should only be used for the net income earned on 'non-tangible' items as described above.



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SERVICE DEPARTMENT

Line 1 Sales Account 450A Cost of Sales Account 650A – Subaru – Customer Labor

DEBIT Cost of Sales with:

1. The cost of ICE Customer labor **performed in the Subaru service department**, regardless of brand worked on, IF the Retailer is a sole Subaru Retailer. This includes trades of other brands. If the Retailer sells and reports NEW other brands on their Financial Statements, use 450B – Other Makes Customer Labor. Labor sold on Extended Service or Maintenance Plans should be reported in A/C 473 (Subaru-only retailers – all brand labor), **or** A/C 460B – if New Other Brands are sold and reported on the Subaru Financial Statement. Express Service should be reported in A/C 475 – Customer Mechanic Express Service R.O.

CREDIT Sales with:

1. The actual selling price of ICE Customer labor as described above.

Remarks:

- The balances in these accounts represent productive mechanical labor on completed ICE customer repair orders.
- Costing procedures should be reviewed periodically to determine that costs are accurate and match payroll records or there will be an unreconciled balance in work in process.
- When technicians are employed on a salary, hourly, or guaranteed basis, the amount paid in excess of their actual productive earnings should be charged to Subaru - Adjustment Cost of Labor Sales (Account 657A).
- When an employee's time is divided, (such as a working shop foreman who spends part of his time in a supervisory capacity and the remainder in performing productive labor; or a porter who spends part of his time in a productive capacity such as washing cars or new car clean-up, and the remainder performing utility jobs) the salaries and/ or wages paid should be appropriately divided between the cost of sales account and the applicable expense account.
- Customer repair orders should state specifically the operations to be performed and should be signed by the customer. Each customer repair order should indicate the type of vehicle serviced (passenger car, commercial vehicle, etc.).
- All work performed by the Service Department should be authorized and recorded on repair orders.

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SERVICE DEPARTMENT

Line 2 Sales Account 454A Cost of Sales Account 654A – Subaru – Warranty Labor

DEBIT Cost of Sales with:

1. The cost of all Subaru labor performed under the factory warranty.

CREDIT Sales with:

1. The amount of all Subaru labor performed under the factory warranty.

Remarks:

- The balances in this account represent the mechanical labor for all warranty work performed on completed warranty repair orders and similar documents for claims against Subaru. Express Warranty labor should be booked in Accounts 471/671.
- Costing procedures should be reviewed periodically to determine that costs are accurate and match payroll records or there will be an unreconciled balance in work in process.
- Time spent on each operation, or on each repair order, should be recorded in accordance with current Subaru warranty policy.
- Warranty and transportation claims must be handled and submitted in accordance with current Subaru warranty policy.
- Labor performed under extended service contract or maintenance plans should be recorded in Prepaid/Courtesy Maintenance Labor – Subaru (Account 453A).

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SERVICE DEPARTMENT

Line 3 Sales Account 455A Cost of Sales Account 655A – Subaru – Internal Labor

DEBIT Cost of Sales with:

1. The cost of internal labor performed on vehicles worked on in the Subaru Service department. This means all makes, IF the Subaru retailer reports exclusively on their Financial Statement for the Subaru brand only. For Retailers who report Other Brands on their Subaru Financial Statement; please use Account 455B for New Other Makes Internal labor and any labor performed in the non-Subaru service area.

CREDIT Sales with:

1. The internal selling price of mechanical labor recorded in the Sales Account above.

Remarks:

- The balances in these accounts represent internal mechanical labor on all completed repair orders involving Subaru vehicles.
- Express Internal labor should be booked in Accounts 472/672.
- Costing procedures should be reviewed periodically to determine that costs are accurate and match payroll records or there will be an unreconciled balance in work in process.
- When technicians are employed on a salary, hourly, or guaranteed basis, the amount paid in excess of their actual productive earnings should be charged to Adjustment Cost of Labor Sales (Account 657A).
- When an employee's time is divided, (such as a working shop foreman who spends part of his time in a supervisory capacity and the remainder in performing productive labor; or a porter who spends part of his time in a productive capacity such as washing cars or new car clean-up, and the remainder performing utility jobs) the salaries and/ or wages paid should be appropriately divided between the cost of sales account and the applicable expense account.
- Internal repair orders should be authorized by the department manager requesting the work to be performed, indicating the authorized amount to be charged.

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SERVICE DEPARTMENT

Line 4 Sales Account 453A Cost of Sales Account 653A – Subaru – Customer Labor - Prepaid/Courtesy Maintenance

DEBIT Cost of Sales with:

1. The cost of all Subaru Prepaid/Courtesy Maintenance Service labor sold on R.O.'s to customers.
2. The cost of Other Prepaid Mechanical/Maintenance Service labor sold on R.O.'s that is performed in the Subaru Service Dept.

CREDIT Sales with:

1. The actual selling price of Service labor sold above.

Remarks:

- The balances in these accounts represent productive mechanical labor on completed Prepaid/Courtesy Maintenance Service customer repair orders in the Subaru Service Department.
- Express lane Prepaid/Courtesy Maintenance should be booked in Accounts 473/673.
- Costing procedures should be reviewed periodically to determine that costs are accurate and match payroll records or there will be an unreconciled balance in work in process.
- When technicians are employed on a salary, hourly, or guaranteed basis, the amount paid in excess of their actual productive earnings should be charged to Adjustment Cost of Labor Sales (Account 657A).
- When an employee's time is divided, (such as a working shop foreman who spends part of his time in a supervisory capacity and the remainder in performing productive labor; or a porter who spends part of his time in a productive capacity such as washing cars or new car clean-up, and the remainder performing utility jobs) the salaries and/ or wages paid should be appropriately divided between the cost of sales account and the applicable expense account.
- Customer repair orders should state specifically the operations to be performed and should be signed by the customer. Each customer repair order should indicate the type of vehicle serviced (passenger car, commercial vehicle, etc.).
- All work performed by the Service Department should be authorized and recorded on repair orders.

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SERVICE DEPARTMENT

Line 6 Sales Account 470 Cost of Sales Account 670 – Subaru – Customer Labor Express

DEBIT Cost of Sales with:

1. The cost of **Express** Subaru labor sold to customers.
2. The cost of Express labor on non-Subaru models IF the Retailer reports only New Subaru Sales on their Financial Statement.

CREDIT Sales with:

1. The actual selling price of **Express** labor sold to customers on completed repair orders per above.

Remarks:

- The balances in these accounts represent productive mechanical labor on completed Express customer repair orders.
- Since in most cases Express technicians are employed on a salary, hourly, or guaranteed basis, their compensation will be charged to appropriate cost of sales account when they are paid; the amount that has been determined that Parts Department will absorb should be charged to Compensation – Express Service Account 36D (Parts).
- Costing procedures should be reviewed periodically to assure that the service module matches payroll and that technicians are being costed correctly.
- All work should be recorded on a Repair Order which should state the operations to be performed and should be signed by the customer. Each customer repair order should indicate the VIN (vehicle identification number) of the unit being serviced.

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SERVICE DEPARTMENT

Line 7 Sales Account 471 Cost of Sales Account 671 – Subaru – Warranty Labor Express

DEBIT Cost of Sales with:

1. The cost of all **Express** Subaru labor performed under the factory warranty.

CREDIT Sales with:

1. The sales price of all **Express** Subaru labor performed under the factory warranty.

Remarks:

- The balances in this account represent the mechanical labor for all warranty work performed via the Express lane on completed warranty repair orders and similar documents for claims against Subaru.
- Since in most cases Express technicians are employed on a salary, hourly, or guaranteed basis, their compensation will be charged to appropriate cost of sales account when they are paid; the amount that has been determined that Parts Department will absorb should be charged to Compensation – Express Service Account 36D (Parts).
- Costing procedures should be reviewed periodically to assure that the service module matches payroll and that technicians are being costed correctly.
- Time spent on each operation, or on each repair order, should be recorded in accordance with current Subaru warranty policy.
- Warranty and transportation claims must be handled and submitted in accordance with current Subaru warranty policy.

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SERVICE DEPARTMENT

Line 8 Sales Account 472 Cost of Sales Account 672 – Subaru – Internal Labor Express

DEBIT Cost of Sales with:

1. The cost of **Express** internal labor performed on Subaru vehicles.
2. The cost of Express Internal labor performed on Other Makes if the Retailer reports only New Subaru Sales on their Financial Statement.

CREDIT Sales with:

1. The **Express** Subaru internal selling price of mechanical labor on completed repair orders per above.

Remarks:

- The balances in these accounts represent internal mechanical labor on all completed Express repair orders involving Subaru vehicles.
- Since in most cases Express technicians are employed on a salary, hourly, or guaranteed basis, their compensation will be charged to appropriate cost of sales account when they are paid; the amount that has been determined that Parts Department will absorb should be charged to Compensation – Express Service Account 36D (Parts).
- Costing procedures should be reviewed periodically to assure that the service module matches payroll and that technicians are being costed correctly.
- When an employee's time is divided, (such as a working shop foreman who spends part of his time in a supervisory capacity and the remainder in performing productive labor; or a porter who spends part of his time in a productive capacity such as washing cars or new car clean-up, and the remainder performing utility jobs) the salaries and/ or wages paid should be appropriately divided between the cost of sales account and the applicable expense account.
- Internal repair orders should be authorized by the department manager requesting the work to be performed, indicating the authorized amount to be charged.

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SERVICE DEPARTMENT

Line 9 Sales Account 473 Cost of Sales Account 673 – Subaru – Prepaid/Courtesy Maintenance Express

DEBIT Cost of Sales with:

1. The cost of all **Express** Subaru Prepaid/Courtesy Maintenance Service labor sold to customers.
2. The cost of all Express Other Prepaid/Courtesy Maintenance labor sold to customers, if the Retailers reports exclusively New Subaru Vehicle Sales on their Financial Statement.

CREDIT Sales with:

1. The actual selling price of all **Express** Prepaid/Courtesy Maintenance Service labor sold per above.

Remarks:

- The balances in these accounts represent productive mechanical labor on completed Express Prepaid/Courtesy Maintenance Service repair orders involving Subaru vehicles, (and other make vehicles, if the Retailer reports exclusively New Subaru Sales on their Financial Statement).
- Since in most cases Express technicians are employed on a salary, hourly, or guaranteed basis, their compensation will be charged to appropriate cost of sales account when they are paid; the amount that has been determined that Parts Department will absorb should be charged to Compensation – Express Service Account 36D (Parts).
- Costing procedures should be reviewed periodically to assure that the service module matches payroll and that technicians are being costed correctly.
- When an employee's time is divided, (such as a working shop foreman who spends part of his time in a supervisory capacity and the remainder in performing productive labor; or a porter who spends part of his time in a productive capacity such as washing cars or new car clean-up, and the remainder performing utility jobs) the salaries and/ or wages paid should be appropriately divided between the cost of sales account and the applicable expense account.
- Customer repair orders should state specifically the operations to be performed and should be signed by the customer. Each customer repair order should indicate the type of vehicle serviced (passenger car, commercial vehicle, etc.).
- All work performed by the Service Department should be authorized and recorded on repair orders.

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SERVICE DEPARTMENT

Line 11 Sales Account 450EV Cost of Sales Account 650EV – Customer Labor - EV

DEBIT Cost of Sales with:

1. The cost of labor **performed in the Subaru service department on EV's, regardless of brand worked on, IF the Retailer is a sole Subaru Retailer. This includes trades of other brands.** IF the Retailer sells and reports **NEW other brands** on their Financial Statements, use 450B – Other Makes Customer Labor. Labor sold on Extended Service or Maintenance Plans should be reported in A/C 473 (Subaru-only retailers – all brands labor), **or** A/C 460B – if New Other Brands are sold and reported on the Subaru Financial Statement. Express Service should be reported in A/C 475 – Customer Mechanic Express Service R.O.

CREDIT Sales with:

1. The actual selling price of labor as described above.

Remarks:

- The balances in these accounts represent productive EV mechanical labor on completed customer repair orders.
- Costing procedures should be reviewed periodically to determine that costs are accurate and match payroll records or there will be an unreconciled balance in work in process.
- When technicians are employed on a salary, hourly, or guaranteed basis, the amount paid in excess of their actual productive earnings should be charged to Subaru - Adjustment Cost of Labor Sales (Account 657A).
- When an employee's time is divided, (such as a working shop foreman who spends part of his time in a supervisory capacity and the remainder in performing productive labor; or a porter who spends part of his time in a productive capacity such as washing cars or new car clean-up, and the remainder performing utility jobs) the salaries and/ or wages paid should be appropriately divided between the cost of sales account and the applicable expense account.
- Customer repair orders should state specifically the operations to be performed and should be signed by the customer. Each customer repair order should indicate the type of vehicle serviced (passenger car, commercial vehicle, etc.).
- All work performed by the Service Department should be authorized and recorded on repair orders.

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SERVICE DEPARTMENT

Line 12 Sales Account 454EV Cost of Sales Account 654EV – Warranty Labor - EV

DEBIT Cost of Sales with:

1. The cost of all Subaru EV labor performed under the factory warranty.

CREDIT Sales with:

1. The amount of Subaru EV labor performed under the factory warranty.

Remarks:

- The balances in this account represent the EV mechanical labor for all warranty work performed on completed warranty repair orders and similar documents for claims against a manufacturer. Express Warranty labor should be booked in Accounts 471/671.
- Costing procedures should be reviewed periodically to determine that costs are accurate and match payroll records or there will be an unreconciled balance in work in process.
- Time spent on each operation, or on each repair order, should be recorded in accordance with current warranty policy.
- Warranty and transportation claims must be handled and submitted in accordance with current warranty policy.
- Labor performed under extended service contract or maintenance plans should be recorded in Prepaid/Courtesy Maintenance Labor – Subaru (Account 453A).

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SERVICE DEPARTMENT

Line 13 Sales Account 455EV Cost of Sales Account 655EV – Internal Labor - EV

DEBIT Cost of Sales with:

1. The cost of internal EV labor performed on internal vehicles worked on in the Subaru Service department. This means all makes, IF the Subaru retailer reports exclusively on their Financial Statement for the Subaru brand only. For Retailers who report **Other Brands** on their Subaru Financial Statement; please use Account 455B for New Other Makes Internal labor and any labor performed in the non-Subaru service area.

CREDIT Sales with:

1. The internal selling price of EV mechanical labor recorded in the Sales Account above.

Remarks:

- The balances in these accounts represent internal mechanical labor on all completed repair orders involving electric vehicles.
- Express Internal labor should be booked in Accounts 472/672.
- Costing procedures should be reviewed periodically to determine that costs are accurate and match payroll records or there will be an unreconciled balance in work in process.
- When technicians are employed on a salary, hourly, or guaranteed basis, the amount paid in excess of their actual productive earnings should be charged to Adjustment Cost of Labor Sales (Account 657A).
- When an employee's time is divided, (such as a working shop foreman who spends part of his time in a supervisory capacity and the remainder in performing productive labor; or a porter who spends part of his time in a productive capacity such as washing cars or new car clean-up, and the remainder performing utility jobs) the salaries and/ or wages paid should be appropriately divided between the cost of sales account and the applicable expense account.
- Internal repair orders should be authorized by the department manager requesting the work to be performed, indicating the authorized amount to be charged.

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Line 16 Sales Account 450B Cost of Sales Account 650B – Other – Customer Labor

DEBIT Cost of Sales with:

1. The cost of all OTHER labor sold to customers, including extended service contract plans – IF the Retailer also sells and reports on their Financial Statement other New Vehicle Brands in addition to Subaru. Otherwise, “Other” Service & Parts Sales accounts should not be used by exclusive Subaru Retailers.

CREDIT Sales with:

1. The actual selling price of all OTHER labor, including extended service contract plans, sold to customers on completed repair orders for Retailers that sell and report on their Financial Statement other New Vehicle Makes.

Remarks:

- The balances in these accounts represent productive mechanical labor on completed customer repair orders involving **non-Subaru** vehicles, only if the Retailer also sells and reports Other Makes on their Financial Statement, otherwise Exclusive Subaru Retailers should use the Subaru reporting accounts for all Service and Parts activity.
- All incomplete repair orders are work-in-process and should be handled as outlined in Work in Process – Labor ([Account 247](#)).
- Labor sales and costing procedures should be reviewed periodically to determine if the maximum profit potential is being realized.
- Charges made on the repair order for separate items, such as miscellaneous shop supplies, should be included in the gross labor sales price and reported in this sales account for accounting purposes. Such items should not be considered as offsetting credits to expense or as other income unless required by law.
- When technicians are employed on a salary, hourly, or guaranteed basis, the amount paid in excess of their actual productive earnings should be charged to Adjustment Cost of Labor Sales ([Account 657A](#)).
- When an employee's time is divided, (such as a working shop foreman who spends part of his time in a supervisory capacity and the remainder in performing productive labor; or a porter who spends part of his time in a productive capacity such as washing cars or new car clean-up, and the remainder performing utility jobs) the salaries and/ or wages paid should be appropriately divided between the cost of sales account and the applicable expense account.
- Customer repair orders should state specifically the operations to be performed and should be signed by the customer. Each customer repair order should indicate the type of vehicle serviced (passenger car, commercial vehicle, etc.).
- All work performed by the Service Department should be authorized and recorded on repair orders.

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SERVICE DEPARTMENT

Line 17 Sales Account 454B Cost of Sales Account 654B – Other – Warranty Labor

DEBIT Cost of Sales with:

1. The cost of all OTHER labor performed under the factory warranty.

CREDIT Sales with:

1. The amount of all OTHER labor performed under the factory warranty.

Remarks:

- The balances in this account represent the mechanical labor for all warranty work performed on completed warranty repair orders and similar documents for claims against other manufacturers. All incomplete repair orders are work-in-process and should be handled as outlined in Work in Process – Labor (Account 247).
- Time spent on each operation, or on each repair order, should be recorded in accordance with applicable warranty policy.
- Warranty and transportation claims must be handled and submitted in accordance with applicable warranty policy.
- Labor performed under extended service contract plans should be recorded in Customer Labor – Other (Account 450B).
- A separate journal and claims register should be maintained for each manufacturer's products sold by the retailer.

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SERVICE DEPARTMENT

Line 18 Sales Account 455B Cost of Sales Account 655B – Other – Internal Labor

DEBIT Cost of Sales with:

1. The cost of OTHER internal labor performed – IF the Retailer also sells and reports on their Financial Statement other New Vehicle Brands in addition to Subaru. Otherwise, “Other” Service & Parts Sales accounts should not be used by exclusive Subaru Retailers.

CREDIT Sales with:

1. The actual selling price of all OTHER Internal labor sold to customers on completed repair orders for Retailers that sell and report on their Financial Statement other New Vehicle Makes.

Remarks:

- The balances in these accounts represent internal mechanical labor on all completed repair orders involving non-Subaru vehicles, only if the Retailer also sells and reports Other Makes on their Financial Statement, otherwise Exclusive Subaru Retailers should use the Subaru reporting accounts for all Service and Parts activity.
- All incomplete repair orders are work-in-process and should be handled as outlined in Work in Process – Labor (Account 247).
- Charges made on the repair order for separate items, such as miscellaneous shop supplies, should be included in the gross labor sales price and reported in this sales account for accounting purposes. Such items should not be considered as offsetting credits to expense or as other income unless required by law.
- When technicians are employed on a salary, hourly, or guaranteed basis, the amount paid in excess of their actual productive earnings should be charged to Adjustment Cost of Labor Sales (Account 657A).
- When an employee's time is divided, (such as a working shop foreman who spends part of his time in a supervisory capacity and the remainder in performing productive labor; or a porter who spends part of his time in a productive capacity such as washing cars or new car clean-up, and the remainder performing utility jobs) the salaries and/ or wages paid should be appropriately divided between the cost of sales account and the applicable expense account.
- Internal repair orders should be authorized by the department manager requesting the work to be performed, indicating the authorized amount to be charged.

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SERVICE DEPARTMENT

Line 20 Sales Account 456 Cost of Sales Account 656 – Sublet Repairs - Service

DEBIT Cost of Sales with:

1. The cost of all sublet work on Customer, Internal, and Warranty, Prepaid, and Express Repair Orders.

CREDIT Sales with:

1. The selling price of all mechanical sublet work on completed Customer, Internal and Warranty, Prepaid, and Express repair orders.

Remarks:

- Body and Paint Sublet Work should be recorded in Account 506 - Sublet Repairs – Body Shop.
- It is anticipated that sublet work sold to customers will create a gross profit for the retailer.
- Individual purchases of sublet work should be authorized by a properly executed purchase order. The purchase order should be issued based upon 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.
- The sublet account should be scheduled and reconciled monthly. Missing charges on Repair Orders should be followed up with the Service Manager on a timely basis and processes corrected to ensure all future work is billed out properly.
- Care must be exercised to assure that all sublet work is charged on a 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.
- Periodic analyses should be made of all sublet work to ascertain the volume of this type of business and to determine the profitability of doing the work by the retailer rather than subletting it.

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SERVICE DEPARTMENT

Line 21 Sales Account 459 Cost of Sales Account 659 – Miscellaneous Service Sales

DEBIT Cost of Sales with:

1. Cost of mechanical labor performed on vehicles (other than car and truck) and non-automotive items.
2. Cost of labor for driver of wrecker, based on hourly rate.

CREDIT Sales with:

1. Selling price for all mechanical labor performed on vehicles (other than car and truck) and non-automotive items.
2. Selling price for wrecker service (dealership owned).

Remarks:

- Included in this account: Labor sales on items such as motorcycles, scooters, motor homes, house trailers, snowmobiles, boats, airplanes, farm equipment, appliances, and lawn mowers; and the sale of any item included in Non-Automotive Merchandise ([Account 250](#)).
- Other possible uses for this account are tire disposal fees, **shop supplies** surcharges, waste disposal, etc.

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SERVICE DEPARTMENT

Line 22 Cost of Sales Account 657A – Adjustment Cost of Labor Sales

DEBIT with:

1. The wages paid to productive employees for whom there is no offsetting revenue or expense (unapplied labor).
2. The adjustment required when the productive labor on incomplete repair orders is less than the balance in the Labor in Process – Mechanical inventory.

CREDIT with:

1. The adjustment required when the productive labor on incomplete repair orders is greater than the balance in the Labor in Process – Mechanical inventory.

Remarks:

- Productive mechanical labor costs should be controlled through Work in Process – Labor (Account 247). Account 247 should be maintained on a schedule and reconciled daily against open repair order.
- Unapplied labor represents a failure to supply the technician with a sufficient amount of productive work; and is a reflection against the Service Department.
- Effective time-keeping procedures should be followed and periodic productivity and efficiency studies conducted.
- When productive technicians are paid for time on the premises for which no productive labor was performed, this pay is considered unapplied time and should be charged to this account. This does not include vacation and time-off pay, or non-productive pay which is chargeable internally to an expense account. In summary: unapplied time is the amount of technician's compensation which has not been able to be sold on a Repair Order.
- When productive technicians are paid on a flat-rate basis, with a guaranteed minimum wage, this is a form of standard labor rate costing; the difference between the total amount earned on productive labor and the guaranteed wage should be charged to this account.
- Minimal differences between the monthly book and physical inventories of mechanical labor in process should be debited or credited to this account.
- If abnormal amounts of unapplied labor continue to exist, it may be an indication of inefficiency and should be promptly investigated and analyzed.

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BODY SHOP DEPARTMENT

Line 24 Sales Account 500 Cost of Sales Account 700 – Customer Labor

DEBIT Cost of Sales with:

1. The cost of all body and paint labor on Customer Repair Orders.

CREDIT Sales with:

1. The actual selling price of all body and paint labor performed on customers' vehicles.

Remarks:

- These accounts should be used only by retailers having their own body and paint operation.
- The balances in these accounts represent productive body and paint labor on all completed repair orders. All incomplete body and paint repair orders are work-in-process and should be handled as outlined in Work in Process – Labor (Account 247).
- Labor sales and costing procedures should be reviewed periodically to determine if the maximum profit potential is being realized.
- Charges made on the repair order for separate items, such as miscellaneous shop supplies, should be charged to Paint, Material & Miscellaneous (Account 507).
- When body and paint employees are employed on a salary, hourly, or guaranteed basis, any amount paid in excess of their actual productive earnings should be charged to Adjustment Cost of Labor Sales (Account 657B).
- When an employee's time is divided, (such as a working shop foreman who spends part of his time in a supervisory capacity and the remainder in performing productive labor; or a porter who spends part of his time in a productive capacity such as washing cars or new car clean-up, and the remainder performing utility jobs) the salaries and/ or wages paid should be appropriately divided between the cost of sales account and the applicable expense account.
- Customer repair orders should state specifically the operations to be performed and should be signed by the customer. Each customer repair order should indicate the type of vehicle serviced (passenger car, commercial vehicle, etc.).

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BODY SHOP DEPARTMENT

Line 25 Sales Account 504 Cost of Sales Account 704 – Warranty Labor

DEBIT Cost of Sales with:

1. The cost of all Body Shop Warranty labor – both Subaru and Other makes.

CREDIT Sales with:

1. The amount of all Body Shop Warranty labor performed on Subaru and Other makes.

Remarks:

- These accounts should be used only by retailers having their own body and paint operation.
- The balances in these accounts represent the body and paint labor for all warranty work performed on completed warranty repair orders and similar documents, for claims against Subaru and other manufacturers.
- Time spent on each operation, or on each repair order, should be recorded in accordance with current applicable warranty policy.
- Warranty and transportation claims must be handled and submitted in accordance with current applicable warranty policy.

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BODY SHOP DEPARTMENT

Line 26 Sales Account 505 Cost of Sales Account 705 – Internal Labor

DEBIT Cost of Sales with:

1. The cost of all internal body and paint labor.

CREDIT Sales with:

1. The internal selling price of all body and paint labor performed Internally.

Remarks:

- These accounts should be used only by retailers having their own body and paint operation.
- The balances in these accounts represent internal body and paint labor on all completed repair orders for both automotive and non-automotive repairs. All incomplete repair orders are work-in-process and should be handled as outlined in Work in Process – Labor (Account 247).
- Charges made on the repair order for separate items, such as miscellaneous shop supplies, should be charged to Paint, Material & Miscellaneous (Account 507).
- When body and paint employees are employed on a salary, hourly, or guaranteed basis, any amount paid in excess of their actual productive earnings should be charged to Adjustment Cost of Labor Sales (Account 657B).
- When an employee's time is divided, (such as a working shop foreman who spends part of his time in a supervisory capacity and the remainder in performing productive labor; or a porter who spends part of his time in a productive capacity such as washing cars or new car clean-up, and the remainder performing utility jobs) the salaries and/ or wages paid should be appropriately divided between the cost of sales account and the applicable expense account.
- Internal repair orders should be authorized by the department manager requesting the work to be performed, indicating the authorized amount to be charged.

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BODY SHOP DEPARTMENT

Line 27 Sales Account 506 Cost of Sales Account 706 – Sublet Repairs – Body Shop

DEBIT Cost of Sales with:

1. The cost of all sublet work on Body Shop Repair Orders.

CREDIT Sales with:

1. The selling price of sublet work sold on Body Shop repair orders.

Remarks:

- These accounts should be used only by retailers having their own body and paint operation.
- It is anticipated that sublet work sold to customers will create a gross profit for the retailer. Individual purchases of sublet work should be authorized by a properly executed purchase order. The purchase order should be issued from 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-reference purposes.
- The sublet account should be scheduled and reconciled monthly. Missing charges on Repair Orders should be followed up with the Service Manager on a timely basis and processes corrected to ensure all future work is billed out properly.
- Care must be exercised to assure 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.
- Periodic analyses should be made of all sublet body and paint work to ascertain the volume of this type of business and to determine the profitability of doing the work in the dealership, rather than subletting it.

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BODY SHOP DEPARTMENT

Line 28 Sales Account 507 Cost of Sales Account 707 – Paint, Material, & Miscellaneous

DEBIT Cost of Sales with:

1. The cost of all shop materials including: undercoating, rubbing compounds, etc. sold and used on Body Shop repair orders.
2. The adjustment required when the physical inventory is less than the account (book) balance.

CREDIT Sales with:

1. The actual selling price of all body and paint shop materials sold on Body Shop repair orders.
2. The adjustment required when the physical inventory is more than the account (book) balance.

Remarks:

- These accounts should be used only by retailers having their own body and paint operation.
- It is recommended that materials be individually costed on each repair order; however, materials may be costed on a percentage basis developed by experience.
- The total cost of pint and quart cans of thinner and paint should be charged out as each can is opened. Once opened, thinner evaporates and paint hardens, therefore, open cans should not be inventoried at month-end.
- Adequate internal controls should be maintained in dispensing and securing these materials.

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BODY SHOP DEPARTMENT

Line 29 Cost of Sales Account 657B – Adjustment – Cost of Labor Sales

DEBIT with:

1. The wages paid to productive employees on Body Shop repair orders for whom there is no offsetting revenue or charge to expense (unapplied labor).

CREDIT with:

2. Adjustments to work in process to reconcile work in process or adjust above.

Remarks:

- These accounts should be used only by retailers having their own body and paint operation.
- Productive body and paint labor should be controlled through Work in Process – Labor (Account 247).
- Unapplied labor represents a failure to supply the technician with a sufficient amount of productive work; and is a reflection against the Service Department.
- Effective time-keeping procedures should be followed and periodic productivity and efficiency studies conducted.
- When productive body and paint employees are paid for time on the premises for which no productive labor was performed, this pay is considered unapplied time and should be charged to this account. This does not include vacation and time-off pay, or non-productive pay which is chargeable internally to an expense account. Simply stated: unapplied time is the amount of body and paint employee's compensation which has not been billable to a repair order.
- When productive employees are paid on a flat-rate basis, with a guaranteed minimum wage, the difference between the total amount earned on productive labor and the guaranteed wage should be charged to this account.
- Minimal differences between the monthly book and physical inventories of labor in process should be debited or credited to this account.
- If abnormal unapplied labor continues to exist, it may be an indication of inefficiency and should be promptly investigated and analyzed.

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PARTS AND ACCESSORIES DEPARTMENT

Line 31 Sales Account 460A Cost of Sales Account 660A – Subaru – Customer Mechanic

DEBIT Cost of Sales with:

1. The inventory value of Subaru parts sold on Customer repair orders.

CREDIT Sales with:

1. The sales price of Subaru parts sold to customers on completed repair orders.

Remarks:

- The balances in these accounts represent all Subaru vehicle parts sold to customers on completed repair orders, regardless of the source of the parts involved. Express Lane Customer Parts sales should be booked to Accounts 475/675.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).
- Parts should only be physically withdrawn from inventory upon presentation of the hard copy of the repair order to the Parts Department.

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PARTS AND ACCESSORIES DEPARTMENT

Line 32 Sales Account 462A Cost of Sales Account 662A – Subaru – Customer Body

DEBIT Cost of Sales with:

1. The inventory value of all Subaru parts sold on a Customer Body Shop repair order.

CREDIT Sales with:

1. The sales price of all Subaru parts sold on a Customer Body Shop repair order.

- **Remarks:** The balances in these accounts represent parts (excluding shop materials) sold to customers on completed body and paint repair orders for Subaru vehicles.
- These accounts should be used only by retailers having their own body and paint operations.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).
- Parts should only be physically withdrawn from inventory upon presentation of the hard copy of the repair order to the Parts Department.

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PARTS AND ACCESSORIES DEPARTMENT

Line 33 Sales Account 464A Cost of Sales Account 664A – Subaru – Warranty

DEBIT Cost of Sales with:

1. The inventory value of all Subaru parts sold on a Warranty repair order.
2. The inventory value of all Subaru body parts sold on a Warranty repair order.

CREDIT Sales with:

1. The sales price of all Subaru parts replaced under factory warranty.
2. The sales price of all Subaru body parts replaced under factory warranty.

Remarks:

- The balances in these accounts represent the parts for all warranty work performed on completed warranty repair orders and similar documents for claims against Subaru. Warranty work performed in the Express Lane should be booked to Accounts 476/676.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).
- Warranty and transportation claims must be handled and submitted in accordance with current Subaru warranty policy.
- Parts sold for repairs performed under extended service contract plans should be recorded in Subaru – Customer Mechanic (Account 460A).
- Parts should only be physically withdrawn from inventory upon presentation of the hard copy of the repair order to the Parts Department.

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PARTS AND ACCESSORIES DEPARTMENT

Line 34 Sales Account 465A Cost of Sales Account 665A – Subaru – Internal

DEBIT Cost of Sales with:

1. The cost of Subaru such parts sold on an Internal repair order.

CREDIT Sales with:

1. The internal selling price of Subaru parts sold on an Internal repair order.

Remarks:

- The balances in these accounts represent all parts used internally on completed repair orders and counter invoices for Subaru vehicles, regardless of the source of the parts involved. Internal work performed in the Express Lane should be booked to Accounts 477/677.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).
- Parts related to Non-Automotive Merchandise (Account 250) should not be included in these accounts (refer to Non-Automotive Merchandise and Miscellaneous (Account 492)).
- Internal repair orders should be authorized by the department manager requesting the work to be performed, indicating the authorized amount to be charged.
- Parts should only be physically withdrawn from inventory upon presentation of the hard copy of the repair order to the Parts Department.

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PARTS AND ACCESSORY DEPARTMENT

Line 35 Sales Account 463A Cost of Sales Account 663A – Subaru – Prepaid/Courtesy Maintenance

DEBIT Cost of Sales with:

1. The cost of all Subaru parts sold on Prepaid/Courtesy Maintenance repair orders.
- 2.

CREDIT Sales with:

1. The sale price of all Subaru parts sold on Prepaid/Courtesy Maintenance repair orders.

Remarks:

- The balances in these accounts represent parts (excluding shop materials) sold to customers on completed Prepaid/Courtesy Maintenance repair orders for Subaru vehicles. Prepaid/Courtesy Maintenance performed in the Express Lane should be booked to Accounts 478/678.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).
- Parts should only be physically withdrawn from inventory upon presentation of the hard copy of the repair order to the Parts Department.

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PARTS AND ACCESSORIES DEPARTMENT

Line 36 Sales Account 466A Cost of Sales Account 666A – Subaru – Counter

DEBIT Cost of Sales with:

1. The inventory value of all Subaru parts sold over the counter to retail customers.

CREDIT Sales with:

1. The sales price of all Subaru parts sold over the counter to retail customers.

Remarks:

- The balances in these accounts represent all parts for Subaru vehicles sold at retail to customers on parts counter invoices, regardless of the source of the parts.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).

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PARTS AND ACCESSORIES DEPARTMENT

Line 37 Sales Account 467A Cost of Sales Account 667A – Subaru – Wholesale

DEBIT Cost of Sales with:

1. The cost of all Subaru parts sold at Wholesale.

CREDIT Sales with:

1. The sales price of all Subaru parts sold over the counter to wholesale customers for resale.
2. The sales price of all Subaru parts sold to fleet accounts at wholesale

Remarks:

- The balances in these accounts represent all over the counter sales of parts for Subaru vehicles (for resale) to garages, service stations, body and paint shops, other dealers, fleet accounts, etc., regardless of the source of the parts.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).

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PARTS AND ACCESSORIES DEPARTMENT

Line 38 Cost of Sales Account 694A Subaru – Purchase Discounts

DEBIT with:

1. The amount of all discount lost as the result of returning parts and/or accessories to the manufacturer.

CREDIT with:

1. The amount of all trade and/or quantity discounts received for purchasing parts and/or accessories.
2. The amount of credits received for any remaining parts return allowances.

Remarks:

The balance in this account reflects credits earned under Subaru parts allowance return programs.

Consult with Subaru fixed operations personnel to obtain information concerning any such current programs.

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PARTS AND ACCESSORIES DEPARTMENT

Line 39 Cost of Sales Account 668A – Subaru – Purchase Allowances

DEBIT with:

1. Adjustments to previously recorded purchase allowances on promotional parts and accessories.

CREDIT with:

1. The amount of purchase allowance received from Subaru on promotional parts and accessories.

Remarks:

- The balance in this account reflects credits earned under Subaru parts purchase allowance programs.
- Consult with Subaru fixed operations personnel to obtain information concerning any such current allowances.

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PARTS AND ACCESSORIES DEPARTMENT

Line 40 Cost of Sales Account 675A – Subaru – Adjustment Parts & Accessories Inventory

DEBIT with:

1. The monthly provision for anticipated inventory losses and obsolescence.
2. The adjustment required to decrease the book value to agree with the physical inventory value.

CREDIT with:

1. The amount of any decrease in previously recorded provisions for anticipated inventory adjustments.
2. The adjustment required to increase the book value to agree with the physical inventory value.

Remarks:

- The balance in this account represents the accumulated provision for Subaru parts and accessories inventory losses due to shrinkage and obsolescence. This balance should be adjusted at year-end to reflect actual shrinkage and obsolescence as disclosed by physical inventory.
- Since special treatment of this account may be required for income tax purposes, dealers should consult tax counsel.

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PARTS AND ACCESSORIES DEPARTMENT

Line 41 Sales Account 490A Cost of Sales Account 690A – Gas, Oil, & Grease Subaru Mech.

DEBIT Cost of Sales with:

1. The cost of all gas, oil, grease, and other similar fluids such as brake fluid, antifreeze, windshield washer fluid, and solvents, sold on Subaru Mechanical **(main shop)** repair orders. Use this account for all makes of vehicles if the Retailer entity does not sell/report any other makes on the Subaru Financial Statement. Otherwise, use Account 490B if vehicles are serviced in another brands service area.
2. The adjustment required when the physical inventory is less/more than the account (book) balance.

CREDIT Sales with:

1. The actual selling price of all gas, oil, grease, and other similar fluids sold, such as brake fluid, antifreeze, windshield washer fluid, and solvents sold on Subaru **Express** repair orders per above description.

Remarks:

- Express gas, oil, and grease (lubricants) should be costed in accordance with the latest cost prices available, at the lower of cost or market value.
- Liquid and bulk inventory is high risk. Strict controls and monthly inventory checks and adjustments should be standard procedure. Shortages resulting from lack of controls or proper costing procedures can then be recognized and corrected on a timely basis. Adequate internal controls, using written authorizations, should be maintained in dispensing these materials
- Costing methods and prices should be reviewed periodically for accuracy. Unless the costing of materials is accurate, sizeable inventory adjustments will be necessary at year-end, or upon a physical inventory reconciliation.

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PARTS AND ACCESSORIES DEPARTMENT

Line 43 Sales Account 475 Cost of Sales Account 675 – Subaru – Customer Mechanic Express Service RO

DEBIT Cost of Sales with:

1. The inventory value of Subaru parts sold on a Customer Mechanic Express RO.

CREDIT Sales with:

1. The sales price of Subaru parts sold to customers on completed Customer Mechanic Express Service repair orders.

Remarks:

- The balances in these accounts represent all Subaru vehicle parts sold to customers on completed Express Service repair orders, regardless of the source of the parts involved.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).
- Parts are housed in a physical cabinet in the Express Bay and Express Technicians determine parts to use and fulfill their order from this cabinet. They do not go to the Parts department to receive their parts/oil/commodities

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PARTS AND ACCESSORIES DEPARTMENT

Line 44 Sales Account 476 Cost of Sales Account 676 – Subaru – Warranty Express Service RO

DEBIT Cost of Sales with:

1. The inventory value of Subaru parts sold on a Warranty Express RO.

CREDIT Sales with:

1. The sales price of Subaru parts sold to customers on completed Warranty Express Service repair orders.

Remarks:

- The balances in these accounts represent all Subaru vehicle parts sold Warranty Express Service repair orders, regardless of the source of the parts involved.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).
- Parts are housed in a physical cabinet in the Express Bay and Express Technicians determine parts to use and fulfill their order from this cabinet. They do not go to the Parts department to receive their parts/oil/commodities

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PARTS AND ACCESSORIES DEPARTMENT

Line 45 Sales Account 477 Cost of Sales Account 677 – Subaru – Internal Express Service RO

DEBIT Cost of Sales with:

1. The inventory value of Subaru parts sold on an Internal Express RO.

CREDIT Sales with:

1. The sales price of Subaru parts sold to customers on completed Internal Express Service repair orders.

Remarks:

- The balances in these accounts represent all Subaru vehicle parts sold Internal Express Service repair orders, regardless of the source of the parts involved.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).
- Parts are housed in a physical cabinet in the Express Bay and Express Technicians determine parts to use and fulfill their order from this cabinet. They do not go to the Parts department to receive their parts/oil/commodities

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PARTS AND ACCESSORIES DEPARTMENT

Line 46 Sales Account 478 Cost of Sales Account 678 – Subaru – Prepaid/Courtesy Maintenance Express RO

DEBIT Cost of Sales with:

1. The inventory value of Subaru parts sold on a Prepaid/Courtesy Maintenance Express RO.

CREDIT Sales with:

1. The sales price of Subaru parts sold to customers on completed Prepaid/Courtesy Maintenance Express Service repair orders.

Remarks:

- The balances in these accounts represent all Subaru vehicle parts sold Internal Express Service repair orders, regardless of the source of the parts involved.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).
- Parts are housed in a physical cabinet in the Express Bay and Express Technicians determine parts to use and fulfill their order from this cabinet. They do not go to the Parts department to receive their parts/oil/commodities

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PARTS AND ACCESSORIES DEPARTMENT

Line 47 Sales Account 483 Cost of Sales Account 683 – Gas, Oil, & Grease - Subaru Express Service

DEBIT Cost of Sales with:

1. The cost of all gas, oil, grease, and other similar fluids, such as brake fluid, antifreeze, windshield washer fluid, and solvents sold on **Express** repair orders. For Retailers that only sell Subaru products, this account would include GOG sales on other make units since it's done in the Subaru shop. If the Retailer sells/reports Other Brands on their Financial Statement, then the GOG sales done in the Other Makes service department would go to Account 490B – Gas, Oil & Grease – Other.
2. The adjustment required when the physical inventory is less/more than the account (book) balance.

CREDIT Sales with:

1. The actual selling price of all gas, oil, grease, and other similar fluids sold, such as brake fluid, antifreeze, windshield washer fluid, and solvents sold as per above description.

Remarks:

- Express Gas, oil, and grease (lubricants) should be costed in accordance with the latest cost prices available, at the lower of cost or market value.
- Liquid and bulk inventory is high risk. Strict controls and monthly inventory checks and adjustments should be standard procedure. Shortages resulting from lack of controls or proper costing procedures can then be recognized and corrected on a timely basis. Adequate internal controls, using written authorizations, should be maintained in dispensing these materials
- Costing methods and prices should be reviewed periodically for accuracy. Unless the costing of materials is accurate, sizeable inventory adjustments will be necessary at year-end, or upon a physical inventory reconciliation.

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PARTS AND ACCESSORIES DEPARTMENT

Line 49 Sales Account 460EV Cost of Sales Account 660EV – Customer - EV

DEBIT Cost of Sales with:

1. The inventory value of EV parts sold on a Customer Mechanic or Express RO.

CREDIT Sales with:

1. The sales price of parts sold to customers on completed Customer EV repair orders.

Remarks:

- The balances in these accounts represent all Electric Vehicle parts sold to customers on completed Mechanical or Express Service repair orders, regardless of the source of the parts involved.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).

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PARTS AND ACCESSORIES DEPARTMENT

Line 50 Sales Account 464EV Cost of Sales Account 664EV – Warranty - EV

DEBIT Cost of Sales with:

1. The inventory value of parts sold on a Warranty Electric Vehicle R.O.

CREDIT Sales with:

2. The sales price of parts sold to customers on completed Warranty EV Repair Orders.

Remarks:

- The balances in these accounts represent all Electric Vehicle parts sold on EV Warranty repair orders, regardless of the source of the parts involved.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).

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PARTS AND ACCESSORIES DEPARTMENT

Line 51 Sales Account 465EV Cost of Sales Account 665EV – Internal - EV

DEBIT Cost of Sales with:

1. The inventory value of parts sold on an Internal Electric Vehicle R.O.

CREDIT Sales with:

1. The sales price of parts sold to customers on completed Internal EV Repair Orders.

Remarks:

- The balances in these accounts represent all Electric Vehicle parts sold on EV Internal repair orders, regardless of the source of the parts involved.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242A)).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



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PARTS AND ACCESSORIES DEPARTMENT

Line 53 Sales Account 481A Cost of Sales Account 681A – Tires - Subaru

DEBIT Cost of Sales with:

1. The inventory value of tires and tubes sold on Customer, Warranty or Internal repair orders, or over the counter regardless of brand for Subaru-only shops. If the Retailer sells/reports other New Makes on their Financial Statement, they should use Account 481B – Tires – Other for Tires sold in their Other Makes shop.
2. The adjustment for any differences (shortages/overages) between the monthly book and physical inventory values.

CREDIT Sales with:

1. The sales price of all tires and tubes sold to on Customer, Warranty or Internal repair orders, or over the counter as per above.

Remarks:

- Tires purchased through manufacturer parts channels and having a manufacturer's part number should be inventoried and sold separately from regular parts and reported under this account.
- Tires and tubes should be costed individually at the time of sale.
- The sale and cost of tires transferred between vehicles should not be included in this account. These transactions should be treated as inventory transfers.
- The sale and cost of special tires installed on a new vehicle at the time of sale should not be included in this account. These transactions should be treated as inventory transfers and accounted for as part of the new vehicle cost of sale.
- Perpetual inventory records should be maintained weekly to provide maximum inventory control and to aid in maintaining a balanced inventory that will produce maximum profits.

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PARTS AND ACCESSORIES DEPARTMENT

Line 55 Sales Account 460B Cost of Sales Account 660B – Other – Customer Mechanic

DEBIT Cost of Sales with:

1. The inventory value of other make parts sold on Customer repair orders. Only use this account if the Retailer sells/reports New Other Makes on their Financial Statement. Subaru-only Retailers should use Account 460A – Customer Parts for all Customer Parts Sales.

CREDIT Sales with:

1. The sales price of other make parts sold to customers on completed Customer repair orders per above description.

Remarks:

- The balances in these accounts represent all vehicle parts sold to customers on completed repair orders for other make vehicles, regardless of the source of the parts involved.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Other (Account 242B)).
- Parts should only be physically withdrawn from inventory upon presentation of the hard copy of the repair order to the Parts Department.

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PARTS AND ACCESSORIES DEPARTMENT

Line 56 Sales Account 462B Cost of Sales Account 662B – Other – Customer Body

DEBIT Cost of Sales with:

1. The inventory value of other make parts sold on Customer Body Shop repair orders. Only use this account if the Retailer sells/reports New Other Makes on their Financial Statement. Subaru-only Retailers should use Account 462A – Customer Body Parts for all Customer Body Parts Sales.

CREDIT Sales with:

1. The sales price of other make parts sold to customers on completed repair orders for vehicle body and paint repairs per the above description.

Remarks:

- The balances in these accounts represent parts (excluding shop materials) sold to customers on completed body and paint repair orders for other make vehicles.
- These accounts should be used only by retailers who have their own body and paint operations.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Other (Account 242B)).
- Parts should only be physically withdrawn from inventory upon presentation of the hard copy of the repair order to the Parts Department.

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PARTS AND ACCESSORIES DEPARTMENT

Line 57 Sales Account 464B Cost of Sales Account 664B – Other – Warranty

DEBIT Cost of Sales with:

1. The inventory value of other make parts sold on Warranty Mechanical or Body repair orders. Only use this account if the Retailer sells/reports New Other Makes on their Financial Statement. Subaru-only Retailers should use Account 464A – Warranty Parts for all Warranty Parts Sales.
2. The inventory value of other makes body parts sold on Warranty repair orders.

CREDIT Sales with:

1. The sales price of other make parts is replaced on Warranty Mechanical or Body repair orders per the above description.

Remarks:

- The balances in these accounts represent the parts for all warranty work performed on completed warranty repair orders and similar documents for claims against other manufacturers.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Other (Account 242B)).
- Warranty and transportation claims must be handled and submitted in accordance with current applicable warranty policy.
- Parts sold for repairs performed under extended service contract plans should be recorded in other – Customer Mechanic (Account 460B).
- Parts should only be physically withdrawn from inventory upon presentation of the hard copy of the repair order to the Parts Department.

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PARTS AND ACCESSORIES DEPARTMENT

Line 58 Sales Account 465B Cost of Sales Account 665B – Other – Internal

DEBIT Cost of Sales with:

1. The cost of other make parts sold on Internal repair orders. Only use this account if the Retailer sells/reports New Other Makes on their Financial Statement. Subaru-only Retailers should use Account 465A – Internal Parts for all Internal Parts Sales.

CREDIT Sales with:

1. The internal selling price of all other parts sold on Internal repair orders per above description.

Remarks:

- The balances in these accounts represent all parts sold internally on completed repair orders and counter invoices for other make vehicles, regardless of the source of the parts involved.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Other (Account 242B)).
- Parts related to Non-Automotive Merchandise (Account 250) should not be included in these accounts (refer to Non-Automotive Merchandise and Miscellaneous (Account 492)).
- Internal repair orders should be authorized by the department manager requesting the work to be performed, indicating the authorized amount to be charged.
- Parts should only be physically withdrawn from inventory upon presentation of the hard copy of the repair order to the Parts Department.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT Page 5 - Parts and Service Sales and Gross Profit Analysis

PARTS AND ACCESSORIES DEPARTMENT

Line 59 Sales Account 466B Cost of Sales Account 666B – Other – Counter

DEBIT Cost of Sales with:

1. The inventory value of other make parts sold over the counter to retail customers. Only use this account if the Retailer sells/reports New Other Makes on their Financial Statement. Subaru-only Retailers should use Account 466A – Counter Parts for all Counter Parts Sales.

CREDIT Sales with:

1. The sales price of other make parts sold over the counter to retail customers, per above description.

Remarks:

- The balances in these accounts represent all parts for other make vehicles sold at retail to customers on parts counter invoices, regardless of the source of the parts.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Other (Account 242B)).

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FINANCIAL STATEMENT Page 5 - Parts and Service Sales and Gross Profit Analysis

PARTS AND ACCESSORIES DEPARTMENT

Line 60 Sales Account 467B Cost of Sales Account 667B – Other – Wholesale

DEBIT Cost of Sales with:

1. The cost of all other make parts sold to wholesale customers on a wholesale counter ticket. Only use this account if the Retailer sells/reports New Other Makes on their Financial Statement. Subaru-only Retailers should use Account 467A – Wholesale Parts for all Wholesale Parts Sales.

CREDIT Sales with:

1. The sales price of all other make parts sold over the counter to wholesale customers for resale, as per above description.
2. The sales price of all other make parts sold to fleet accounts over the counter.

Remarks:

- The balances in these accounts represent all wholesale over the counter sales of parts for other represented makes' vehicles (for resale) to garages, service stations, body and paint shops, other dealers, fleet accounts, etc., regardless of the source of the parts.
- Parts should be costed individually at actual cost at the time of sale. A percentage method of costing is not recommended (refer to Parts & Accessories – Subaru (Account 242B)).

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



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PARTS AND ACCESSORIES DEPARTMENT

Line 61 Cost of Sales Account 494B – Other – Purchase Discount

DEBIT with:

1. Adjustments to previously recorded Other make parts purchase discounts.

CREDIT with:

1. The amount of all trade and/or quantity discounts received for purchasing parts and/or accessories from other manufacturers.

Remarks:

- The balance in this account reflects credits earned under other make parts allowance return programs, as applicable.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



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PARTS AND ACCESSORIES DEPARTMENT

Line 62 Cost of Sales Account 468B – Other – Purchase Allowances

DEBIT with:

1. Adjustments to previously recorded Other make parts purchase allowances.

CREDIT with:

1. The amount of purchase allowance received from the other manufacturers on promotional parts and accessories.

Remarks:

- The balance in this account reflects credits earned under Other Manufacturer parts purchase allowance programs.

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PARTS AND ACCESSORIES DEPARTMENT

Line 63 Cost of Sales Account 675B – Other – Adjustment Parts & Accessories Inventory

DEBIT with:

1. The monthly provision for anticipated inventory losses and obsolescence of Other make parts and accessories.
2. The adjustment required to decrease the book value to agree with the physical inventory value of Other make parts and accessories.

CREDIT with:

1. The amount of any decrease in the total provision for Other make parts and accessories inventory.
2. The adjustment required to increase the book value to agree with the physical inventory value of Other make parts and accessories inventory.

Remarks:

- The balance in this account represents the accumulated provision for other parts and accessories inventory losses due to shrinkage and obsolescence. This balance should be adjusted at year-end to reflect actual shrinkage and obsolescence as disclosed by physical inventory.
- Since special treatment of this account may be required for income tax purposes, dealers should consult tax counsel.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT Page 5 - Parts and Service Sales and Gross Profit Analysis

PARTS AND ACCESSORIES DEPARTMENT

Line 64 Sales Account 490B Cost of Sales Account 690B – Gas, Oil, & Grease

DEBIT Cost of Sales with:

1. The cost of all gas, oil, grease, and other similar fluids sold on repair orders for Other Makes, such as brake fluid, antifreeze, windshield washer fluid, and solvents. This Account is only to be used by Retailers who sell/report New Other Makes on their Financial Statement.
2. The adjustment required when the physical inventory is less/more than the account (book) balance.

CREDIT Sales with:

1. The actual selling price of all gas, oil, grease, and other similar fluids sold, such as brake fluid, antifreeze, windshield washer fluid, and solvents as per above description.

Remarks:

- Gas, oil, and grease (lubricants) should be costed in accordance with the latest cost prices available, at the lower of cost or market value.
- Liquid and bulk inventory is high risk. Strict controls and monthly inventory checks and adjustments should standard procedure. Shortages resulting from lack of controls or proper costing procedures can then be recognized and corrected on a timely basis. Adequate internal controls, using written authorizations, should be maintained in dispensing these materials
- Costing methods and prices should be reviewed periodically for accuracy. Unless costing of materials is accurate, sizeable inventory adjustments will be necessary at month-end.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



FINANCIAL STATEMENT Page 5 - Parts and Service Sales and Gross Profit Analysis

PARTS AND ACCESSORIES DEPARTMENT

Line 65 Sales Account 481B Cost of Sales Account 681B – Tires - Other

DEBIT Cost of Sales with:

1. The inventory value of tires and tubes sold on Customer, Warranty or Internal repair orders, or over the counter on vehicles other than Subaru, only if the Retailer sells other New Brands. Subaru-only retailers should report **all** Tire Sales in Account 481A – Tires – Subaru.
2. The adjustment for any differences (shortages/overages) between the monthly book and physical inventory values.

CREDIT Sales with:

1. The sales price of all tires and tubes sold to on Customer, Warranty or Internal repair orders, or over the counter as per above.

Remarks:

- Tires purchased through manufacturer parts channels and having a manufacturer's part number should be inventoried and sold separately from regular parts and reported under this account.
- Tires and tubes should be costed individually at the time of sale.
- The sale and cost of tires transferred between vehicles should not be included in this account. These transactions should be treated as inventory transfers.
- The sale and cost of special tires installed on a new vehicle at the time of sale should not be included in this account. These transactions should be treated as inventory transfers and accounted for as part of the new vehicle cost of sale.
- Perpetual inventory records should be maintained weekly to provide maximum inventory control and to aid in maintaining a balanced inventory that will produce maximum profits.

SUBARU DEALER FINANCIAL STATEMENT STANDARDS



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PARTS AND ACCESSORIES DEPARTMENT

Line 67 Sales Account 492 Cost of Sales Account 692 – Non-Automotive Merchandise and Miscellaneous

DEBIT Cost of Sales with:

1. The inventory value of Non-Automotive (apart from a vehicle) units sold.

CREDIT Sales with:

1. The retail and wholesale sales price of Non-Automotive (apart from a vehicle) units sold.

Remarks:

- Typical examples of non-automotive units included in this account are tractors, boats, and motorcycles
- Repossession losses for non-automotive units should be charged to this Cost of Sales Account. Any amounts recovered by collection, through the retailer's recourse action against the customer for the loss sustained due to repossession of the unit, should be credited to this Cost of Sales Account.
- Units transferred or exchanged between dealers should be debited and/or credited to the applicable inventory accounts (as a transfer). These transactions should be recorded in the new vehicle purchase journal.
- Charges made on the unit invoice for separate items, such as title search fees, should be included in the gross sales price of the unit and reported in this sales account for accounting purposes. Such items should not be considered as offsetting credits to expense or as other income unless required by law. All sales and cost data should be recorded on a subsidiary inventory record.
- Retail and wholesale sales should be separated and clearly documented for sales tax purposes.

Expense Classification and Distribution

This section of the Subaru Accounting Manual deals with the following subjects related to expenses:

- Expense Classification**
- Profit Center Concept**
- Methods of Distribution or Allocation**

Expense Classification

All operating expenses on the Subaru Financial Statement are broken down into four categories – *Selling, Personnel, Operating, and Overhead*. Within the subcategories are individual expense classifications. There are other accounts that represent expenses but do not fall into the category of operating expenses. These are described as *Deductions From Income*.

A diagram of this structure would look like this:

Selling (Variable) Expense
 Personnel Expense
 Operating (Semi-Fixed) Expense
 Overhead (Fixed) Expense

Within the subcategories are individual expense classifications. For example, the expense classifications under **Personnel Expense** are:

- | | |
|--|---|
| <input type="checkbox"/> Salaries - Owners | <input type="checkbox"/> Other Salaries & Wages |
| <input type="checkbox"/> Salaries - Supervision | <input type="checkbox"/> Taxes - Payroll |
| <input type="checkbox"/> Compensation - Advisors, Wholesale, Counter | <input type="checkbox"/> Employee Benefits / Pension Fund |
| <input type="checkbox"/> Compensation – Express Service | <input type="checkbox"/> Absentee Compensation |
| <input type="checkbox"/> Salaries - Clerical | |

The total of the balances in these classifications will equal Total Personnel Expense.

A question that often arises is “what is the logic behind the expense classification between Variable and Fixed Expenses?” The answer is that each subcategory has a direct relationship to sales volume. To use the two extremes as examples:

Variable Selling Expense consists of expenses that vary in an almost direct relationship with sales volume. As sales volume increases, variable selling expense will increase in an almost directly proportional manner.

Fixed Expense represents an expense group that will move up or down very little and bear very little relationship to changes in sales volume.

The following is a description of the subcategories and their expected relationship to sales volume:

- Variable Selling Expense** will change in relationship to sales on a monthly basis.
- Personnel Expense** changes very little in its relationship to Sales. Personnel Expense tends to change based on:
 - Pay increases
 - The need to increase or decrease the number of employees because of significant changes in sales volume.
- The relationship between Operating, or Semi-Fixed Expense and Sales will appear relatively indirect. For example, a gradual increase in sales may lead to a need to make a larger investment in Telecommunications devices but will not cause proportional short-term changes.
- Overhead, or Fixed Expense varies within a very narrow range and shows virtually no direct relationship to Sales. Sales pressure may cause a sudden change in Fixed Expense (for example, the addition of a used car facility or storage lot) but subsequent Fixed Expense levels and changes in Sales will show very little relationship.

2026 Subaru Dealer Financial Statement - Memo Accounts

Recommended Expense Allocation Methods									
Account Description	Acct #	A	B	C	D	E	F	G	A Specific
Compensation & Incentive - Salespeople	11								B Gross Profit Contribution
Interest - Floorplan	15								C Relational
Floor Plan Assistance	29								D Estimated Time
Compensation F&I / Service Contracts	13								E Time Analysis
Delivery Expense	12								F Equal Share
Customer Relations Adjustments	14								G Facilities Analysis
Demonstrator Expense	16								
Advertising - Association	32								A. Specific
Advertising - NVD & UVD	19								Specific allocation is the simplest and most accurate method of allocation. It requires the user department be identified and charged accordingly.
Internet Advertising - New & Used	30								
Advertising Rebates	31								
Salaries - Owners	20								
Salaries - Supervision	21								
Compensation - Advisors, Wholesale, Counte	35								B. Gross Profit (Oper. Income) Contribution
Compensation - Express Service	36								This method is based on the percent of gross profit or operating income contributed from each department. Allocation percentages should be based on total departmental income from the previous year end and should be adjusted annually.
Salaries - Clerical	22								
Business Development Center (BDC)	37								
Other Salaries & Wages	23								
Taxes - Payroll	27								
Employee Benefits / Pension Fund	28								
Absentee Compensation	24								
Company Vehicle Expense	51								C. Relational
Office Supplies	60								The relational method of allocating expenses is determined by the relationship of the expense to some other expense group. An expense that may fit this method is Taxes -
Other Supplies	61								
Advertising - Service, P&A & Body Shop Dept	49								
Internet Adv. - Serv, Body, P&A	34								
Advertising Rebates Serv, Body P&A	33								
Bad Debt	69								D. Estimated Time Contribution
Contributions	66								This method is generally used to allocate an individual's payroll expense that does not report to one single department, e.g. General Manager. A brief interview with the manager should provide the information needed to arrive at an allocation formula.
Policy Work - Service, P&A & Body Shop Dept	67								
Outside Services	68								
Laundry & Uniforms	62								
Travel & Entertainment	70								
Membership, Dues & Publications	71								
Legal & Auditing	72								
Telephone	74								E. Time Analysis
Freight & Express/Postage	76								This method is used when an employee performs specific functions for various departments. It requires the employee to consider duties by department and the time spent on those duties to arrive at the allocation percentage.
Training	50								
Dealership Management System (DMS)	77								
Miscellaneous	78								
IT Applications	79								
Rent/Lease	80								
Amortization - Leaseholds	81								
Repairs Real Estate	82								F. Equal Share
Depreciation - Bldg & Improvements	83								This is the simplest method and makes sense for expense categories that benefit all the operating departments, such as accounting, telephone, data processing or contributions.
Taxes - Real Estate	84								
Insurance - Bldgs & Improvements	85								
Interest - Real Estate Mortgage	86								
Heat, Light, Power, & Water	87								
Ins Other than Bldgs & Improvements	88								G. Facilities Analysis
Taxes Other than Real Estate, Income & Payrc	89								This method is used almost exclusively for expenses within the Fixed Expense Group. A formula is derived from a separate analysis of the dealership's building(s), and land.
Other Interest	93								
Depreciation Other than Bldgs & Imp	91								
Equipment Repairs & Rentals	94								

The Profit Center Concept

The profit center concept states that all expenses other than Deductions From Income benefit the operating departments. Operating expenses include expenses that can be attributed to a specific department as well as expenses that are assigned to the operating departments using an allocation formula.

Most of the expenses allocated to a department are expenses over which the department manager has some control. There are other allocated expenses over which a manager has little control, but from which their department does gain some benefit. For example, the sales manager has little control over rent expense, but his/her department does gain a benefit from that expense: a facility from which to sell cars.

The objectives of the profit center concept are threefold:

- To give managers a more realistic view of overall dealership operations.
- To help managers gain a greater awareness of the true cost of operating the business and each department.
- To help managers develop departmental goals that are more closely aligned with total dealership goals.

Methods of Distribution or Allocation

The method of allocating an expense depends upon three things:

- Type of expense.
- How the benefit of that expense is received by the departments.
- Degree of distribution accuracy in relationship to allocation formula complexity.

It is preferable to have an acceptable level of accuracy based on a simple, easily understood allocation formula rather than a very high level of accuracy based on a complex allocation formula.

As discussed in the previous section, any expenses that can be associated with a specific user department should be charged directly to that department.

Allocation formulas should be reviewed at the beginning of the year and adjustments made where appropriate. Once allocation formulas are established for the year, they should be reviewed quarterly or mid-year for adjustment.

The chart on the prior page summarizes recommended expense allocation methods by account category. The following pages describe each expense allocation method in detail.

A. Specific

Specific allocation is the simplest and most accurate method of allocation. This method requires a document, usually an invoice from a vendor, to identify the user department. The signature of the Manager of the user department should appear on the purchase order or the invoice.

The type of goods or services purchased, in addition to the name of the Manager approving the purchase, usually provides the necessary information to identify the department to be charged. For example, gas for the parts delivery truck will be charged to the Parts Department based on the goods purchased and the signature of the Parts Manager.

B. Gross Profit or Operating Income Contribution

This method of allocation is based on the percent contribution from each department. The following chart provides an example of allocation percentages derived from gross profit contribution.

<u>Department</u>	<u>Operating Income</u>	<u>% of Contribution</u>
New – Subaru Vehicles	\$570,000	29.8
New - Other	\$190,000	9.9
Used	\$290,000	15.2
Service	\$375,000	19.6
Body Shop	\$140,000	7.3
Parts	\$346,000	18.2
Total Operating Income	\$1,911,000	100.0

The allocation percentages for *Gross Profit Contribution* or *Operating Income Contribution* should be based on the gross profit or income for the previous year-end. This formula must be adjusted at the beginning of each year using the figures from the previous year-end Financial Statement. Again, an exception should be made where there is substantial change to the relationship of departmental contributions.

An example of an expense that might be appropriately allocated based on gross profit contribution would be Account 79, IT Applications. The idea is that the cost of software purchased to provide sales and invoicing systems for all operating departments warrants the use of a gross profit contribution allocation method because the benefit should be closely related to gross profit activities.

C. Relational

The Relational method of allocating expenses is determined by the relationship of the expense to be allocated to some other expense or group of expenses. An example of an expense that might fit this method of allocation is Payroll Taxes.

In this case, the amount of expense in each department for Personnel Expense Accounts and the productive labor in Service and Body Shop should provide an excellent basis for percentages to use in allocating Payroll Taxes. As in most of the other allocation methods, this *relational* allocation formula can be derived from the previous year’s Financial Statement. Once established, it should be checked mid-year for necessary adjustments due to operational changes.

D. Estimated Time Contribution

In some cases, it is not possible to obtain a detailed analysis of the time contributed to each operating department by certain individuals in the dealership. Therefore, it becomes necessary to interview these individuals and determine their estimate of the relative amount of time spent in each operating department.

E. Time Analysis

This method of allocation is used when a dealership employee performs specific functions for various departments on a regular basis. This requires the employee to consider responsibilities and duties as they relate to each department. The result is a determination as to the percentage of compensation to be charged to each department. An example would be wages for Lot Attendants and Drivers.

F. Equal Share

This is a very simple allocation method that is usable only for expense accounts that generate relatively small monthly totals that are not easily identifiable as pertaining to a specific department or departments. Simply divide the expense by the number of operating departments within the dealership and allocate an equal share of the expense to each department. An expense that might be appropriately allocated using this method is Contributions.

Note: The Subaru Financial statement provides for the *allocation of personnel* in the Personnel Summary section on Page 4. The method used to allocate personnel in this section should be *consistent* with the expense allocation method. For example, if the owner's salary is divided equally between Departments New, Used, Service and Parts the personnel count for the owner should indicate .25 in each of the four departments.

G. Facilities Analysis

The Facilities Analysis allocation method is used almost exclusively on expenses within the Fixed Expense group. The development of the Facilities Analysis formula requires some time and attention to detail. The formula is derived from analyzing the dealership's *building* and *land* separately. The information from the two analyses is then combined to arrive at allocation percentages for Fixed Expenses.

Buildings

Determine the square footage of the building space occupied by each department and calculate the allocated building costs using weighted value.

- The total cost of dealership facilities must be broken down between land and buildings. In the event the facilities are rented or leased, assume that the monthly rent or lease payment represents 1 1/4% of cost. For example, a \$28,750 per month rent would translate to a total facilities cost of \$2,300,000 ($\$28,750 \div 1\ 1/4\%$).
- Another method is to take the cost of buildings and land from the property tax assessment notices. In most cases, the assessment notices will provide an assessment value breakdown between land and buildings/improvements. If this information is not available on your tax assessment notice, an appraisal can usually be obtained from a professional appraiser.
- Determine the square footage of buildings occupied by each operating department. Do this for land and buildings separately.
- Measure off the building space occupied by each operating department. This can be done from blueprints or floor plans if they are available. Do not bother to measure space occupied by non-operating departments.
- List the square footage as shown in Chart 1, **Allocated Building Costs Using Weighted Values**. The weighting factors shown in the chart are based on relative construction costs. Multiply the square footage for each department times the weighting factor to arrive at the weighted value for each department.

Buildings (continued)

- Use the weighted values to determine the percentage to use in arriving at the building costs to be allocated to each department.
- Multiply the percent derived times total building costs to determine assigned \$ value for each department.

Land

Determine the square footage of the land area used by each operating department and calculate the allocated land costs using weighted values.

- The total cost of dealership facilities must be broken down between land and buildings. In the event the facilities are rented or leased, assume that the monthly rent or lease payment represents 1 1/4% of cost. For example, a \$28,750 per month rent would translate to a total facilities cost of \$2,300,000 ($\$28,750 \div 1\ 1/4\%$).
- Another method is to take the cost of buildings and land from the property tax assessment notice. In most cases, the assessment notice will provide an assessment value breakdown between land and building/improvements. If this information is not available on your tax assessment notice, an appraisal can usually be obtained from a professional appraiser.
- Determine the square footage of land used by each operating department. Do this for land and buildings separately.
- Measure off the land by each operating department. Use a plot plan if available. Be certain to include off-site storage facilities.
- List the square footage as shown in Chart 2, **Allocated Land Costs Using Weighted Values**. The weighting factors shown in the chart are based on relative values of that portion of land traditionally used by each operating department.
- The concept here is that business property exposed to traffic carries a greater value than property that has little or no traffic. Therefore, new and used car display areas will have a higher land value per square foot than will the body shop area.
- Use the weighted values of the land used by each operating department to arrive at the percentages required to determine the assigned dollar values for each department. The assigned values for each department's building and land use are then combined to arrive at the percentage to be used in allocating Fixed Expenses. This is demonstrated in Chart 3, **Facilities Analysis: Fixed Expense Allocation Percentages Based On Assigned Building and Land Values**.
- The weighting factors used in the examples are based on national information. If you feel that the construction costs and relative land values are considerably different in your geographical region, you can adopt local information to develop your own weighting values.

**Chart 1
Allocated Building Costs
Using Weighted Values**

Department	Actual Square Feet	Weighting Factor	Weighted Value	% Based on Weighted Value	Assigned \$ Value
New Subaru	2,700	2	5,400	17.0	255,000
New Other					
Used	350	2	700	2.2	33,000
Service	10,100	1.5	15,150	47.6	714,000
Body Shop	5,400	.8*	4,320	13.6	204,000
Parts	6,250	1	6,250	19.6	294,000
Total	24,800		31,820	100.0	1,500,000

* Body Shops with paint booths, heat dry booths and alignment racks should use a weighing factor of 1.5.

**Chart 2
Allocated Land Costs
Using Weighted Values**

Department	Actual Square Feet	Weighting Factor	Weighted Value	% Based on Weighted Value	Assigned \$ Value
New Subaru Display	10,000	2.0	20,000		
Storage	22,000	1.0	22,000		
Sub-Total	32,000		42,000	26.7	213,600
New Other					
Used Display	21,000	2.5	53		
Storage	4,000	1.0	4,000		
Sub-Total	25,000		56,500	36.0	288,000
Service	26,000	1.5	39,000	24.8	198,400
Body Shop	7,000	1.2	8,400	5.3	42,400
Parts	7,500	1.5	11,250	7.2	57,600
Total	97,500		157,500	100.0	800,000

Chart 3
Facilities Analysis:
Fixed Expense Allocation Percentages
Based on Assigned Building and Land Values

Department	Assigned Building Values	Assigned Land Values	Total Assigned Values	Fixed Expense Allocation %
New Subaru	255,000	213,000	468,600	20.4%
New Other	0	0	0	0.0%
Used	33,000	288,000	321,000	13.9%
Service	714,000	198,400	912,400	39.7%
Body Shop	204,000	42,400	246,400	10.7%
Parts	294,000	57,600	351,600	15.3%
Total	1,500,000	800,000	2,300,000	100.0%

Information Required for Memo Fields

The following list identifies each of the memo fields on the 2022 Subaru Dealer Financial Statement. Each memo field must be complete. Some fields require monthly updating, while others remain static and only require revision when a change occurs, e.g., personnel counts. Check with your Dealership Management System provider for specific instructions on how to update and maintain the data in these required fields.

PG	LINE	TITLE	REFERENCE ACCOUNT	MEMO FIELD REQUIREMENTS
1	17	Demo Subaru Units	1022	Total number of Subaru units representing dollar balance in Account 230A – Demonstrators-Subaru.
1	17	Income Tax (Prior YR \$)	1030	Income Tax Paid in the prior calendar year.
1	18	Demo Other Units	1024	Total number of Other units representing dollar balance in Account 230B – Demonstrators-Other.
1	19	New Vehicle Subaru Units	1031	Total number Subaru units representing dollar balance in Account 231A – New Vehicles Subaru.
1	20	New Vehicles Other Units	1028	Total number of Other units representing dollar balance in Account 231B – New Vehicles Other.

2026 Subaru Dealer Financial Statement - Memo Accounts

1	21	Total New Units in Stock	1034	Total number of ALL New vehicle units in stock including Subaru and any Other makes represented.
1	22	New Units > 60 Days	1033	Total number of ALL New vehicles that are greater than 60 days old as of the last day of the accounting month.
1	25	Used Subaru CPO Units	1037	Total number of Subaru CPO units represented in dollar balance in Account 239 – Used Subaru Vehicles.
1	25	Used Subaru non- CPO Units	1039	Total number of non-CPO Subaru units represented in dollar balance in Account 239 – Used Subaru
1	26	Used Subaru Units > 30 Days	1035	Total number of ALL Subaru Used units in stock that are greater than 30 days old as of the last day of the month.
1	26	Total Used Subaru Dollars > 30 days	1045	Total dollar value of ALL Subaru Used vehicle units in stock greater than 30 days old including CPO and non-CPO.
1	27	Used Other Units in Stock	1038	Total number of all Other Make units in stock represented in dollar balance in Account 240 – Used Vehicles - Other.
1	28	Other Used Units> 30 days	1047	Total number of all Other Make used units in stock that are greater than 30 days old.
1	28	Other Used Dollars > 30 Days	1043	Total dollar value of all Other Make used vehicles in stock greater than 30 days old.
1	31	Parts & Accessories Subaru Obsolescence	1021	Dollar value of all Subaru Parts & Accessories Account 242A in stock that are greater than 9 months old.
1	32	Other Make Parts & Accessories Obsolescence	1029	Dollar value of all Other Make Parts and Accessories Account 242B in stock that are greater than 9 months old.
1	46	Total Lease units in stock	1058	Total number of Lease units represented by dollar balance in Account 264 – Lease / Rental Vehicles.
1	46	Total Rental/SSLP units in stock	1060	Total number of Rental/SSLP units represented by dollar balance in Account 264 - Lease / Rental
1	71-78	Receivables Analysis	1226-1310	The amount represented in balance sheet for each respective receivable account (222, 220, 227, 221, 226, 223, 218, & 219) and its aging as of the Financial Statement Date. Most DMS can age Receivables.

2026 Subaru Dealer Financial Statement – Monthly Parts Statement Accounting Reference Sheet

PG	LINE	TITLE	REFERENCE ACCOUNT	MEMO FIELD REQUIREMENTS
4	37	Certified Used Subaru - Reconditioning	636	Total Reconditioning Dollar Amount for Subaru CPO units retailed. Gross Profit in Certified Used Subaru Account 4128 must be reported net of reconditioning.
4	39	Non-Certified Used Subaru - Reconditioning	638	Total Reconditioning Dollar Amount for Subaru non-CPO units retailed. Gross Profit in Non-Certified Used Subaru Account 4122 must be reported net of reconditioning.
4	41	Used Other - Reconditioning	631	Total Reconditioning Dollar Amount for Used – Other units retailed. Gross Profit in Used – Other Account 440 must be reported net of reconditioning.
4	60	Leases New Subaru	4255, 425, 4205	Amount of the total sales reported for New Subaru Retail vehicles that represented units, sales and gross profit for LEASED vehicles.
4	61	Leases New Other	4257, 427, 4207	Amount of the total sales reported for New Other Retail vehicles that represented units, sales, and gross profit for LEASED vehicles.
6	2	Personnel Owners	P1 - P7, PF1	Total number of Owners that are paid compensation in Account 020 – Salaries Owners. Can be a fraction.
6	3	Personnel Management	P8 – P14, PF8	Supervisors / Managers , e.g., Department Managers, Assistant Managers, Controller, Sales Managers, Customer Relations Manager, General Manager, etc. paid in Account 21 – Salaries - Supervision
6	4	Personnel Salespeople, Advisors, Counter	P15 – P21, PF15	New and Used Vehicle Salespersons , F&I Salespersons, Parts Counterpersons, Service Advisors, Express Service Advisors paid in Accounts 11, 13, 35 and 36.
6	5	Business Development Center (BDC)	P82 – P89	BDC Personnel counts that are supported by expenses in Account 37 A/B/C/D/E/F as appropriate.
6	6	Personnel Technicians	P25 – P28, P77	Service Technicians , Body Shop Technicians, Pre-Delivery Technicians, “Express Service” Technicians

2026 Subaru Dealer Financial Statement – Monthly Parts Statement Accounting Reference Sheet

6	7	Personnel Clerical	P29 – P35, PF29	Clerical personnel, e.g., telephone operator, accounting personnel, showroom traffic control operator, service cashier, warranty clerk, etc. paid in Salaries - Clerical Account 22
6	8	Personnel Other	P43-P49, PF43	All “ Other ” personnel that cannot be classified above, e.g., lot maintenance people, Parts Drivers, Janitors, etc. paid in Account 23 Other Salaries & Wages .
6	9	Total Personnel	P57 – P63, PF57	Total columns of above categories by department
6	10	Hired YTD	P64 – P69, PF64	Total number of employees in each department hired (cumulatively) YTD. This should be updated monthly.
6	11	Terminated YTD	P70 - P75, PF70	Total number of employees in each department terminated (cumulatively) YTD. This should be updated monthly.
PG	LINE	TITLE	REFERENCE ACCOUNT	MEMO FIELD REQUIREMENTS
5	59	Total P&A Internet Sales – Subaru Parts Online	442	Amount of total Parts & Accessories sales reported for the month that represented Subaru Parts Online/SimplePart Internet Sales including CT count,
6	15	Parts Lost Sales	LS1	Total dollar value of parts requested to be purchased that the dealership did not fulfill because the part was not in stock and the customer did not want to order. Parts Manager should keep track of this.
6	15	Fixed Absorption	FA1	Fixed Absorption = Total fixed (service, parts, and body shop) gross profit divided by adjusted overhead expense (total dealership expense minus vehicle selling expense). May be filled in by your DMS.
6	15	Available Service Tech hours	ST1	Total compiled number of hours each service technician was available to perform work during the month.
6	16	Parts Emergency Purchases	EP1	Total dollar value of Parts purchased on an emergency parts order. Parts Manager should keep track of this.

2026 Subaru Dealer Financial Statement – Monthly Parts Statement Accounting Reference Sheet

6	17	Fill Rate %	FR1	This figure can be obtained from parts summary reports provided by Subaru PRIME . Contact them for assistance in obtaining this figure.
6	18	Subaru Stalls (including Express Service)	LIFT1	Total number of service stalls (<u>with lifts or flat stalls</u>), including Express Service if applicable, <u>dedicated</u> to Subaru service operations.
6	18	Available Express Service Tech hours	ET1	Total compiled number of hours each Express Service technician was available to perform work during the month. If paid hourly, should equal the number of paid hours.
6	19	Subaru Lifts (including Express Service)	LIFT2	<u>Sub-set of LIFT1</u> , the total number of service stall lifts, including Express Service if applicable, <u>dedicated</u> to Subaru service operations.
6	20	Subaru Express Service stalls	LIFT3	<u>Sub-set of LIFT1</u> , total number of service stalls <u>dedicated</u> to Subaru Express Service operations.
6	20	Subaru UIO	N/A	This UIO information IS NOT entered at the retailer level. It is populated after for SOA internal users.
6	21	Available Other Make(s) Service Tech hours	BT2	Total compiled number of hours each Service technician was available to perform work during the month. If paid hourly, should equal the number of paid hours.
6	24	Available Body Shop Tech hours	BT1	Total compiled number of hours each Body Shop tech was available to perform work during the month.
6	27-30	Labor Rates	LR1 – LR9	Provide the current labor rate for each category listed. This field only needs to be adjusted when rates change.

2026 Subaru Dealer Financial Statement – Monthly Parts Statement Accounting Reference Sheet

6	27-28	Subaru Customer Effective Labor Rate	CE1	Subaru Customer Effective Labor Rate = Customer Pay Labor Sales (Subaru Account 450A + Pre-Paid Courtesy/Maintenance Account 453A + Customer Labor Express Account 470 + Pre-Paid Courtesy/Maintenance Express Account 473) + divided by Customer Labor Hours Billed (Subaru Account LH1 + Express Account LX1).
6	32-34	Labor Hours Billed	LH1 – LH9, LX1	Total actual labor hours billed for each category of labor as listed. Figures should be available from DMS reports.

Note: Memo accounts on Page 5 are all **MEMO ONLY** and do not balance with the financial statement totals. These are supplementary memo accounts that repeat certain activity already reported in normal departmental income.

Note: Fixed Absorption in the page 5 memo accounts section are calculations and may be filled in by your DMS. The calculations for these are:

- Fixed Absorption = Total fixed (service, parts, and body shop) gross profit divided by adjusted overhead expense (total dealership expense minus vehicle selling expense).

2026 Subaru Dealer Financial Statement – Monthly Parts Statement Accounting Reference Sheet

Monthly Accounts Receivable (AR) Statement & 2026 Subaru Dealer Financial Statement Accounting Reference Sheet

In most instances these items will have already been credited to Income or Expensed during normal accounting processes in the previous month, e.g., Service Contract income would have most likely been credited when the car deal was posted. In that instance these credits should be applied to Subaru Factory, Warranty, or Holdback Receivables as required. Items that were not previously accounted for should be applied directly to the appropriate income or expense account as designated below, in the current month.

Monthly Parts Statement	General Description	Financial Statement Description - Account(s)	Frequency Posted
Added Security Contracts	SAS Contracts	Subaru Service Contract Income New & Used (Account 473A and 473B)	Monthly
Address Maintenance	Address verification fines	Delivery Expense (Account 12A)	Monthly
APA	Policy adjustment for Goodwill assistance – VIN provided	Credit Policy Work (Account 67, or credit the warranty receivable for the VIN indicated if set up as receivable at time of work).	Monthly
Brochure Charges	Subaru brochure charges	Advertising NVD (Account 19A)	Monthly
Care Connect	P & S Advertising	Internet Adv. P&S (Account 34C and 34D)	Monthly
Certified Digital Tool Program	Widget tools on retailer websites: Chat/text, Trade-in Services, Digital Services	Chat/Text – IT Applications – 79A, 79B, 79C, 79D. Trade-in – IT Applications – 79A, 79B Digital Services – IT Applications – 79A	Monthly
Core	Credit for cores that are returned, i.e. axle shaft, transmission	Adjustment for P & A Inventory (Account 675A), unless previously set up as a receivable from SOA.	Monthly
Coupon Redemption	Service Coupons – VIN provided when available	Factory Incentives – Subaru (Account 227 if set up as receivable on Repair Order)	Monthly
Dealer Cash	Vehicle Incentives – VIN provided	(Applied to COS for each vehicle and recorded as Factory Receivable at time of sale)	Monthly
Dealer Sign Charges	Subaru Exterior Sign Lease & Maintenance	Equipment Repairs & Rentals - (94A/B/C/D)	Monthly

2026 Subaru Dealer Financial Statement – Monthly Parts Statement Accounting Reference Sheet

Dealer Web Services	Subaru branded retailer website program	Internet Advertising New, Used & Service (Account 30A/30B/34C/34D)	Monthly
Digital Marketing & POP	Touch Screen Display & POP	Advertising NVD & SVD (Accounts 19A, 49C)	Monthly
Floorplan	Floor Plan Assistance – VIN provided	Floor Plan Assistance (Account 29A)	Monthly
Goodwill	CAD Customer Assistance – VIN specific	Warranty Receivables – Subaru (Account 226) if set-up as a warranty receivable on the repair order	Monthly
Holdback	2% Holdback assistance – VIN provided	Vehicle Sales (Applied to COS for each vehicle and then set up as Holdback Receivables – Subaru Account 218)	Monthly
Immobilizer	Immobilizer Key code charges – VIN provided	Sublet Repairs (Account 456) Applied to COS	Monthly
Interstate Battery	Interstate Core charges	Adjustment for P & A Inventory (Account 675A)	Monthly
Lead Management	3 rd party purchased leads if enrolled in Subaru ILM	Internet Advertising New & Used (Account 30A/30B)	Monthly
Love Promise Customer Commitment	Love Promise Customer Commitment Award	Other Income – Subaru (Account 810)	Quarterly
Market Assistance (if eligible)	2% Market assistance – VIN provided	Vehicle Sales (Applied to COS for each vehicle and then set up as Factory Receivables – Subaru Account 227)	Monthly
Monthly Bonus Incentive Program	Monthly sales volume and OLP Incentive	Other Income – Subaru (Account 810), only if it has Service OLP qualifier. If there is no Service OLP Qualifier, Retailer Monthly Bonus should be applied to each vehicle's COS/Gross Profit, or booked to Account 6011 Incentives - Subaru	Monthly
Obsolescence Return	Parts Return Program	Parts-Subaru (Account 242A, or factory receivable if set up in advance)	Monthly
Other - AIADA	Yearly AIADA dues	Membership, Dues & Publications (Account 71)	Yearly

2026 Subaru Dealer Financial Statement – Monthly Parts Statement Accounting Reference Sheet

Other – CDK Certified Integration	CDK Certified Integration Program	Dealer Management System (DMS) (Account 77A, 77B, 77C, 77D)	Monthly
Other - Concierge Billing	Recall and/or Service Concierge Program billing	Outside Services – Account 68C	Monthly
Other – Dealer Subscription	Annual charge for Parts Price Book/CD	Membership, Dues & Publications (Account 71D)	Yearly
Other – Digital Marketing Campaign	Marketing Campaign	Internet Advertising New & Used (Account 30A/30B)	Monthly
Other – DMS (Dealer Management System)	For retailers using Xtime service scheduler using CDK and R & R as DMS Provider	Dealer Management System (Account 77C/77D)	Monthly
Other – DMS Service History	For select retailers using MOTIVE for VIN inquiry look-ups	Outside Services (Account 68C)	Monthly
Other - Duplicate MCO	Charge for duplicate MCO's to be printed/shipped	Delivery Expense – (Account 12) Vin-specific.	Monthly
Other – EPC (Electronic Parts Catalog)	Resource to look-up Subaru parts number by VIN for vehicles back to 1984	Membership, Dues & Publications (Account 71D)	Yearly
Other – Express Service Billing	Subaru Express Service Program fee - Implementation	Outside Services (Account 68C & 68D)	Monthly
Other – Express Service Sustainment	Subaru Express Service sustainment fee for on-going consulting/training	Outside Services (Account 68C & 68D)	Monthly
Other - Foundation Learning Fee	Yearly charge for training portal	Training NVD (Account 50A)	Yearly
Other – GTP Inspection fee	Guaranteed Trade Program buyback inspection fee	Outside Services (Account 68A)	Monthly

2026 Subaru Dealer Financial Statement – Monthly Parts Statement Accounting Reference Sheet

Other – Labor Time Guide	Warranty PC based applications, flat rate manuals	Membership, Dues & Publications (Account 71C)	Monthly
Other – M5 Customer Service Improvement	Service and Parts Operations Consulting	Outside Services (Account 68C/68D)	Monthly
Other – Parts & Service Merchandise	Yearly charge for Parts and Service Merchandising/Marketing Materials	Advertising Service/P&A and Body Shop (Account 49C/49D)	Yearly
Other – Phone Skills	CallRevue/Phone Ninja training and call monitoring	Outside Services (Account 68A/68B/68C/68D)	Monthly
Other - Prime	Parts Inventory Mgt. System	IT Applications (Account 79D)	Monthly
Other – Radio Core	Charges for radio cores not returned	Miscellaneous (Account 78D)	Monthly
Other - Reputation Management	Service Provided to encourage/monitor on-line comments about retailer.	Outside Services (Account 68A/68B/68C/68D)	Monthly
Other – State Petroleum Fee	Oil Surcharge currently charged by the following States: AL, CA, CT, FL, ID, MS, NH, NJ, NV, RI, SC, TN, TX, UT, WA	Taxes Other Than Real Estate, Income & Payroll (Account 89D). Debit this account, and “wash” with a Credit any portion of the fee charged to service RO’s.	Monthly
Other – SLTE Service Lane Recycling	Terracycle Subaru Loves the Earth Service Lane Recycling	Outside Services – Account 68C	Monthly
Other – SLTE Zero Waste Boxes	Terracycle Subaru Loves the Earth Recycling Boxes	Outside Services – Account 68	Monthly
Other – SLTE Shipping	Terracycle SLTE Shipping charges	Freight & Express / Postage – Account 76	Monthly
Other - Xtime	Xtime service appointment scheduler	IT Applications (79C/79D)	Monthly

2026 Subaru Dealer Financial Statement – Monthly Parts Statement Accounting Reference Sheet

Parts Order Invoice	Dealer Parts Ordered	Parts-Subaru (Account 242A), unless it's Gas, Oil, Grease, or Tires – then use the applicable inventory account.	Monthly
Parts Marketing Program	Stock Order Discount	Subaru P&A Purchase Discount (Account 494A)	Monthly
Parts Warranty Credit	Warranty Credits	Warranty Receivables (Account 226)	Monthly
PDI & PDI Extra	PDI's Credits – VIN provided	Delivery Expense (Account 12A, or Warranty Receivables – Subaru Account 226)	Monthly
PDI Gas	PDI Gas Allowance Credits – VIN provided	Delivery Expense (Account 12A, or Receivable if set up on purchase of vehicle)	Monthly
Prewritten Odometer Program	New combination meter with the mileage from the replaced meter preprogrammed into the odometer – VIN Specific	Debit Sublet Repairs Service, (Account 456), washing the credit applied by the applicable Customer Pay, Warranty or Internal RO. 1st line will list the 8-digit VIN and the PN of the ordered combination meter – retailer cost will be the dealer cost value of that PN in RPM. 2nd line will list the 8-digit VIN and "ODO SERVICE" – retailer cost for this service will be \$102.50 in all cases	Monthly
Profit Enhancement (PEP).	SAS Profit Enhancement Plan (PEP)	Factory Receivables – Subaru (Account 227)	Monthly
RMA – (Parts)	Parts returned – description only contains first line of return	Parts-Subaru (Account 242A, or receivable if set up at time of parts return)	Monthly
SAF and MARC Transactions	New Vehicle Advertising, Service & Parts Rebates	Advertising Rebates (Account 31A), Advertising Rebates – Serv, Body P&A (Accounts 33C, 33D)	Monthly
SAF and MARC Transactions	MARC-MKT – Resource Center Yearly Fee	Advertising NVD & UVD (Account 19A/B)	Monthly
SAS Retailer Rewards Bonus	Subaru Added Security Bonus	Other Income – Subaru (Account 810)	Quarterly
SDS Kits	Subaru Diagnostic System – support & maintenance	Equipment Repairs & Rentals – Account 94C	Monthly

2026 Subaru Dealer Financial Statement – Monthly Parts Statement Accounting Reference Sheet

SOA Integration	Reynolds Certified Integration Program	Dealer Management System (DMS) (Account 77A, 77C, 77D)	Monthly
SSLP Incentive	Incentive for Subaru Service Loaner Program	Subaru SSLP Income (Account 811)	Monthly
SSLP Web Drive	Monthly software fee for SSLP	Subaru SSLP Expense (Account 860)	Monthly
STARLINK Entertainment Anywhere Kits	Pre-packaged entertainment kit.	Add to cost of sales on unit sold at time of sale and debit factory receivables. When A/R statement from SOA received, credit receivable and apply \$25 incentive to cost of sale for unit sold.	Monthly
Subaru Equity Shield	Subaru GAP and vehicle protection program	478A or 478B Gap insurance contracts. Tire/Windshield/Dent/Key protection – 477A or 477B – Aftermarket Income.	Monthly
Subaru Gear	Subaru apparel and merchandise	Advertising NVD (Account 19A)	Monthly
Subarunet	Subaru Retailer Communication System	IT Applications (Account 79A/B/C/D)	Monthly
Subaru Parts Online (SPO)	E-commerce parts platform that includes 100% of Genuine Subaru Parts, Accessories, gear catalog, etc.	Internet Advertising – Service, Body and P & A Departments (Account 34D)	Monthly
Subaru TV Program	Subaru-specific TV programming for customer lounge	Fixed Asset Account 288 – Other for billable hardware and set-up. Outside Services (Account 68) for monthly service billing	Monthly
Subaru Wholesale Conquest	Price Matching Program	Outside Services (Account 68D)	Monthly
Synthetic Oil Rebate	2% Synthetic Oil Rebate	Purchase Allowances – 468A	Quarterly
Tire Rack	Tire Rack charges	Tire inventory (Account 249)	Monthly
Tools & Equipment Billing	Billing for special tools & equipment ordered through Bosch	Serv. Equip. (Account 282) – if capitalizing. Otherwise 61C - Other Supplies Expense.	Monthly

2026 Subaru Dealer Financial Statement – Monthly Parts Statement Accounting Reference Sheet

Tools & Equipment – BMIS Charge	Midtronics battery testing tool and software update	Equipment Repairs & Rentals – Account 94C	Yearly
TRMI Key Charges	VIN Specific Key Cutting charges	At the time the key is ordered, an R.O. or Parts counter-ticket should be produced and charged to the unit, or customer, with the resulting credit going to Accounts Payable Account 300 to be paid on next AR statement.	Monthly
Vehicle Incentive	Dealer Cash	Vehicle Sales (Applied to COS for each vehicle or (Account 6011 – Incentives Subaru) Unless set up as receivable at time of sale, then (Factory Receivables – Subaru, Account 227).	Monthly
Warranty Claim	Service warranty claims submitted via the Warranty Wizard	Warranty Receivables – Subaru (Account 226)	Monthly

Glossary of Automotive Terms and Common Acronyms

Absorption	Percent of overhead expenses covered by gross profit from service, body shop and parts departments (also known as fixed coverage).
Accelerated Depreciation	A method of computing depreciation which provides greater depreciation allowances in the early years of an asset's use than in subsequent years. See Depreciation.
Accounting System	An organized method of recording transactions of a business and reporting operating results in a predetermined format.
Accounts Payable	A liability on an open account to a creditor for purchases of merchandise and/or services.
Accounts Receivable	A claim against a debtor on an open account for the sale of merchandise and/or services.
Accrual Basis Accounting	The method of record keeping wherein all income earned and all expenses incurred, regardless of when collected or paid, are recorded in the accounting records in the period in which they are earned or incurred.
Accruals	Expenses which have been incurred but not yet paid. Also, income which has been earned but not received in cash.
Accrued Liability	The liability covering an expense recognized or incurred but not payable until a future date.
Accumulated Depreciation	The accumulated total of amounts charged to a depreciation expense.
Acid Test Ratio	The ratio of the total current assets, less inventories and prepaid items, to current liabilities.
Actual Time	Hours spent by technicians to perform assigned work on repair orders.
Additional Paid-In Capital	Amounts of cash or other property from owners/ officers above the par or assigned value of stock.
Additions to Income	Income derived from sources other than regular dealership activities.
Add-On Interest	Interest charged on the amount of a loan. Payments are computed by adding the amount of the loan and interest then dividing by the number of months in the loan period.
Allowance for Doubtful Accounts	Estimated amount of accounts and notes receivable that may not be collected.

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Amortization	A systematic charge-off of an asset's cost to expenses over the period estimated to be benefited by the asset.
Amortization of Leaseholds	Periodic charges to allocate the cost of capital improvements on leased property, written off over a period deemed appropriate by IRS regulations.
Appraisal	Establishing the actual cash value of a used vehicle or other item traded in on a new vehicle purchase.
Assets	All items of value - tangible or intangible - owned by a business.
Available Time	Time technicians are physically present and available to work.
Bad Debt	Expense account used when a receivable is judged uncollectable.
Balance Sheet	A statement of financial position as of a specific date; shown on page 1 of the Operating Report.
Bird Dog Fees	Commissions paid to a person, not regularly employed by a dealership, for a sales "lead" resulting in the sale of a vehicle. This expense is considered a sales commission and is recorded in Account 011, Vehicle Salespeople - Compensation & Other.
Blue-Sky	Also, known as Goodwill. A component of the total purchase price of acquired assets that exceeds the amounts that can reasonably be assigned to the individual assets. Purchase price in excess of tangible asset value.
Book Value	The wholesale value of a used vehicle as determined by a recognized wholesale appraisal guide or the vehicle's depreciated value at any given time. Also, the current net worth of a dealership, or fixed asset.
Breakeven	Estimated volume of new vehicle units required to cover fixed expenses and reach zero operating profit.
Break-Even Point	The volume point in terms of sales at which a no-profit, no-loss situation would occur; this concept is intended for use in planning and setting objectives for each department.
Budget Maintenance	Lease arrangement where a given amount is set aside for maintenance. Customer is responsible for all costs. If costs are under the allotted amount, the customer receives a refund; if over, the customer pays the overage.
Buy/Sell Agreement	The legal contract outlining the sale of a dealership.
Capital Investment	Money or property invested in the business by the owners, plus the accumulated net profit from operations less withdrawals.

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Capital Stock	Represents the amount which the Stockholders originally invested in the business.
Capital Surplus	See Paid-In Surplus.
Cash Flow	The total amount of money being transferred into and out of a business, especially as affecting liquidity.
Cash Flow Forecast	A projection of the movement of funds of a certain future period for the planning cash needs.
Cash Position	Sum of cash and Contracts in Transit, plus new vehicle equity and 75% of used vehicle equity, minus Accounts Payable and one month's average expenses.
Certificate of Deposit	A negotiable or transferable interest bearing receipt payable to the depositor for funds deposited with a financial institution. The term is generally 30 days or longer.
Chargeback	An amount charged back to a dealership by finance or insurance companies as a result of the cancellation or early retirement of a finance or insurance company agreement with a customer.
Chattel	An item of tangible, moveable or immovable property, except real estate, e.g., furniture and fixtures.
Clearing Account	A General Ledger account in which the sum of all debits and credits should agree, leaving a zero balance.
Closed-End Lease	Lessor furnishes the equipment and assumes depreciation risks. Closed-end leases are operating leases.
Compensating Balance	Minimum balance on deposit required by lending institutions for the privilege of borrowing money from them.
Compound Interest	Interest computed on principal plus interest.
Contingent Liability	A liability which may or may not cause an expense to be incurred by the dealership (e.g., recourse finance contracts, service contracts).
Contract	An agreement between two parties for consideration to do a particular thing (e.g., the lease agreement).
Contracts in Transit	The amount to be received by the dealership from retail finance contracts approved by banks and other finance institutions.
Control Account	A General Ledger account, the balance of which is the total of one class of accounts carried in a subsidiary ledger.

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Covenant Not to Compete	An agreement, where for consideration, the seller of a business agrees not to compete with the buyer for a period of time. Also, called "Non-Compete Agreement".
Cost of Sales	The total cost of merchandise and/or labor sold during a given accounting period; for recommended costing procedures.
Credit	To record an entry with a minus balance.
Credit Life Insurance	Life insurance that pays the remaining balance of a vehicle finance note in the event of the customer's death.
Current Assets	Unrestricted cash and other assets that are expected to be converted into cash, sold or consumed during the normal operating cycle of a business – usually 12 months.
Current Liabilities	Short term debt, regardless of its source, including any accrued liability which is to be paid out of current assets within the next 12 months.
Current Liabilities	Debts and obligations of a business which are due and payable within the next 12 months.
Current Portion LTD	Principal payments on long term loans due and payable within the next 12 months.
Current Ratio	The ratio of current assets to current liabilities.
Curtailment	The reduction of obligated debt by making a partial payment.
Customer Deposit	Down payment or deposit made by vehicle buyer prior to delivery, or service/parts customer prior to repair or special order.
Customer Satisfaction Index (CSI)	The level of customer satisfaction as determined by surveys of dealership customers.
Daily Operating Control (DOC)	A report intended to keep management informed as to daily progress toward sales and profit goals.
Debit	To record an entry with a positive balance.
Debt to Equity Ratio	The ratio comparing total liabilities to the capital invested by owners. It is a measure of risk but also may indicate dealer's ability to secure additional creditor capital.
Deductions from Income	Expenses incurred in connection with activities other than department operations.
Deferred Income	Income that will not be earned until a future period.

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Delayed Payment Privilege	A privilege granted by a financial institution to a dealership whereby the payoff of the vehicle note is delayed after the sale. Customer vehicle sales on extended payment terms usually qualify for delayed payment privilege.
Departmental Profit	The amount by which the departmental gross profit exceeds the departmental total expenses.
Deposits in Transit	Deposits made as of the last day of the month but which did not appear on the bank statement for that month.
Depreciation	An allowance for the wear and tear, exhaustion, and decline in value of business property.
Direct Costs	Costs directly allocable to the production of lease and rental income, that vary directly with the number of units in service. For example, interest paid by the dealership on a lease unit would be a direct cost relating to the income produced by that unit.
Discount	Reduction from retail price. Dealers often take or offer discounts as a reward for paying invoices early.
Discounted Finance Contract	An installment sales contract assigned by the dealer to a bank or finance company. The net proceeds from such a contract equal the face amount of the contract less amounts withheld by the finance institution such as finance charges.
Discounted Interest	Interest computed on the total amount of the loan and then deducted from the proceeds of the loan.
Dividends	Portion of profits paid to the stockholders of a corporation.
DOC	Daily Operating Control; a daily (usually computer generated) report giving details of previous day's sales and operations.
Effective Net Worth	Net Worth excluding "Other Assets" plus 50% of LIFO Reserves.
Equity	The excess of assets over liabilities (also known as Net Worth).
Escrow Account	Money deposited with a third party that is not to be delivered until the fulfillment of certain conditions.
iEXAM	A sophisticated computer based comparison program used by Auto Manufacturers to compare specific operations to other groups of operations in order to seek out profit opportunities.
Expenses	Costs of doing business other than the cost of goods and services sold in the normal course of business.
Fair Value	The selling price of the vehicle to the lease customer as if the transaction was purchased at the current market price.

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Finance and Insurance Income	Income earned as a result of retail vehicle sales being financed and/or insured through the dealership.
Finance Lease	The lessor furnishes the vehicle with the lessee assuming the risk of depreciation. See Open-End Lease.
Finance Receivables-Current	Portion of finance reserve income free of contingencies that is due and payable by the lending institution(s).
Finance Receivables-Deferred	Portion of reserve income held by finance institutions as a contingency against the outstanding liability.
Financial Statements	Statements that reflect the collection, tabulation and final summarization of the accounting data. Automotive financial statements are generally the balance sheet, profit and loss statement and gross profit analysis.
Fixed Assets	Assets required for operation and not purchased for resale in the normal course of business.
Fixed Coverage	A measure of the fixed gross profit expressed as a percentage of total fixed overhead expense. The ratio is intended primarily as a measure of the effectiveness of the Service and the Parts Departments in the context of the dealership's total expense structure.
Fixed Departments	Service, parts and body shop departments which provide more regular sources of sales than vehicle department.
Fixed Expenses	Operating expenses which do not vary materially in the short term with changes in sales volume.
Fixed Gross Profit	The combined gross profits of the Service and the Parts and Accessories Departments.
Fixed Net Loss	The excess of the total fixed overhead expense over the combined gross profits of the Service and the Parts and Accessories Departments. See Unabsorbed Overhead.
Fixed Overhead Expenses	Expenses that do not vary proportionately with vehicle sales. These include personnel, semi-fixed and fixed expenses.
Fixed Sales	Sales generated in the Service and Parts Departments.
Flat Rate Time	The time allowance to perform a particular service function based on time studies and specified in various service manuals used in the automotive industry.

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Fleet Sales	Vehicle sales made to fleet customers such as leasing companies and commercial accounts holding fleet certificates.
Floor Plan	The financing of vehicle inventories.
Forecast	A projection of sales, expenses and profits for a specific future period for the purpose of setting objectives and planning.
Frozen Capital	The amount that certain accounts receivable and vehicle inventory accounts exceed accepted levels to conduct business. Frozen Capital is generally associated with used vehicle inventories, service and parts receivables and Contracts in Transit.
General Ledger	A book of final entries to which journal totals are posted and summarized.
Goodwill	The amount paid for a business in excess of the fair market value of the net assets purchased. Also referred to as "Blue Sky".
Gross Profit	Net sales less cost of goods or cost of labor.
Group	A category on the Composite and Expense Trends based on like size sales volume within the same sales area.
Guarantee	A written promise by one person (the co-signer) to be liable for the debt of another person in the event that the debtor fails to perform his obligation.
Guide Averages	Averages applicable to various elements of the business, derived from composites of dealership operating reports, which are intended for use in the comparative evaluation of the performance of dealership operations.
Holdback	Amounts specified as Holdback on new vehicle invoices billed to the dealership. The amount of the holdback is generally a small percentage of the list price of the vehicle plus the total of the list prices of optional equipment and accessories on the vehicle.
Indirect Expense	An expense of a general nature not directly applicable to an operating department.
Insurance	A contractual relationship which exists when one party agrees to indemnify or guarantee another against loss from a contingent event.
Insurance - Additional Named Insured	Anyone other than the insured who is protected against loss by the terms of the policy.

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Insurance - Collision	Any act or instance of hitting or striking another object, regardless of fault, in which the insured's vehicle loss is covered.
Insurance - Combined Additional Coverage	Coverage which pays for direct and accidental loss of or damage to a vehicle caused by only those perils explicitly listed in the policy.
Insurance - Combined Single Limit	One total amount of coverage applicable to any one loss without restriction on the amount any one person may collect.
Insurance - Comprehensive	Coverage against a loss caused by all perils on an insured vehicle.
Insurance - Credit Disability	In the event of the disability of an insured individual, prior to the expiration of the contract, the insurer will pay to the named recipient (in accordance with policy provisions) the insured individual's monthly payment during the term of disability. Generally, benefits are payable after a 30-day waiting period.
Insurance - Credit Life	In the event of the death of an insured individual, prior to the expiration of a contract, the insurer will fulfill the insured's remaining contract obligations in accordance with policy provisions.
Insurance - Garage Liability	Insurance that protects the dealer on sales and service activities but may not cover the risks of a dealership's leasing activity.
Insurance - Liability Insurance	Coverage insuring the loss for any damages caused by the insured's negligence.
Insurance - Loss Payee	A clause providing for payment of a loss for which the insurer is liable to the insured and to someone other than the insured.
Insurance - Medical Payments	Coverage that pays for medical, surgical or dental services due to an accident. Coverage is limited and applies without regard to negligence.
Insurance - Proof of Insurance	Written document (Certificate of Insurance) from an insurance company which attests that the vehicle is insured for certain coverages and limits.
Insurance - Umbrella	A contract that covers losses over and above the limits stipulated on the primary insurance policy.
Insurance - Uninsured Motorist	This is a protection against loss from being involved in an accident with a motorist who is not protected by insurance. It will cover losses caused by the uninsured motorist.

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Internal Control	The system of control adopted by a business to safeguard its assets, check the accuracy and reliability of its accounting data, and promote operational efficiency.
Internal Sales	Sales of vehicles, labor or parts by any department to another operating or administrative department of the business for example: accessories added to a vehicle for sale on the showroom floor.
Inventories	Merchandise available for sale in the dealership.
Inventory Adjustment	Adjustment to inventory value to reflect actual market value of vehicles or parts (also known as write-down).
Investment Turnover Ratio	The ratio of net sales to net worth.
Journals	The book of original entry in which the source documents (invoices, repair orders, etc.) are recorded and summarized as to account classifications.
Lease	A contract between an owner and a user of property. The owner turns over the use of his property to the user in return for periodic rental payments.
Lease Term	The duration of a lease.
Leasehold Improvements	The cost of improvements made to leased facilities.
Leaseholds	The cost of improvements to leased property (land, buildings) as well as any premium paid to acquire a lease.
Lessee	The user of leased property.
Lessor	The party who leases the property to the user or lessee.
Letter of Credit	An instrument issued on behalf of a buyer of a buyer by a financial institution certifying that a third party is entitled to draw upon its credit with the financial institution up to a certain sum.
Leverage	The extent to which the dealer uses "other people's money" (liabilities) rather than their own money. Measured by the Debt-to-Equity ratio.
Liabilities	All debts owed by the business.
Lien	A legal right on the property of another for payment of a debt.

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LIFO (Last-In, First-Out)	LIFO, assumes that goods are sold in the reverse order of their acquisition. Thus, cost of sales is based upon the most recent costs. Ending inventory is based upon the costs of the earliest purchase made. This is a method of income deferral for income tax reduction only. LIFO reserves must be reversed at a future date and all relevant taxes paid.
LIFO Deduction	Accounting expense taken to reflect the inflationary increase in the cost of inventory.
LIFO Reserve	Cumulative deduction for LIFO reflecting the difference between actual cost of inventory and cost based on a historical base period.
Limited Liability Company	Legal entity that is neither a Partnership nor Corporation, where owners are responsible for company debts only to the extent of their capital contribution.
Liquidity	The ability to meet short term financial responsibilities, or how quickly specific assets can be converted into cash.
Long Term Liabilities	Debts, including mortgages payable and any accrued or contingent liabilities, which are not to be paid during the current operating cycle.
Maintenance Contract	Agreement to maintain a vehicle over a certain term at a prepaid price.
Maintenance Lease	Lessor furnishes the vehicle and pays for maintenance according to the terms of the lease.
Majority Ownership	Ownership of greater than 50% of equity.
Minority Ownership	Ownership of less than 50% of equity.
Mortgages	Notes payable secured by mortgages on real properties, such as land, buildings, and building improvements.
Motor Vehicle Report	A report which is available through a state's Motor Vehicle Agency to indicate a vehicle's registration history and outstanding violations.
Net Book Value	Cost of asset less accumulated depreciation for the asset.
Net Lease	The lessor furnishes the vehicle and assumes the depreciation risks; commonly referred to as an operating lease.

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Net Profit	Total sales and additions to income less total cost of sales, total expenses and deductions from income.
Net Sales	Total sales after all returns, allowances and discount.
Net Worth	Total assets less total liabilities, representing the owner's equity in the business.
New Vehicle Inspection (PDI)	A labor sale chargeable to the factory dealing with the preparation of new vehicles for delivery.
Non-Recourse Finance Contracts	An installment sales contract assigned by the dealer to a bank or finance company for which the dealer is not liable for customer contract defaults.
Officer Loan	Liability of dealership to owner(s).
Open Account	Unsecured accounts receivable or accounts payable, which are normally due within 30 days.
Open-End Lease	The lessor furnishes the vehicle and the lessee assumes the risk of depreciation. An open-end lease usually referred to as a capital lease. See Capital Lease.
Operating Expenses	Expenses that are necessary to departmental operations.
Operating Income	Gross profit generated from total dealership operations plus gross profit generated from the sale of financing, insurance and service contracts minus any provision for repossession losses and/ or chargebacks to finance, insurance and service contract income.
Operating Lease	A lease which does not qualify as a sales transaction (usually segregated between maintenance and non-maintenance operating leases). See Closed-End Lease.
Operating Profit	Gross profit less expenses.
Other Assets	Assets not used or not intended for use in the automotive business.
Out-Of-Trust	A term used to describe the situation when a vehicle has been sold but the related note payable is still outstanding.
Over Allowance	Sales technique where a customer's used vehicle is taken as a trade-in for more than wholesale value.
Overhead Expense	Personnel, semi-fixed and fixed expenses only partially related to the volume of sales and production.

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Paid-In Surplus	Capital contributed by stockholders in excess of par or stated value of capital shares. (No additional shares are issued to represent this increase in equity).
Par Value	The value printed on the face of the security certificate for a corporation.
Parts and Service Receivables	Amount due from retail/wholesale parts and service customers for purchases made on an open account.
Past Due	Receivables that are over 30 days unpaid.
Personnel Turnover Rate	The ratio of the number of personnel terminated and replaced to the average number of personnel employed during the period.
Planning Potential	Expected unit sales volume of new vehicles based market size and past sales performance, also called Market Share Responsibility (MSR).
PNVR	Per New Vehicle Retailed.
PNVS	Per New Vehicle Sold, (includes fleet).
Policy Expense	Service and/or parts given to customers, the expense of which is absorbed by the dealership.
Policy Work	The internal selling price of labor and materials for which neither the customer nor manufacturer will be charged.
Policy Work - Parts and Service	The repair or adjustment of defective service work and the replacement of defective parts and accessories sold.
Policy Work - Vehicles	The repair or adjustment of vehicles previously sold or leased.
Power of Attorney	The legal delegation of authority to act on behalf of another.
Prepaid Expenses	When an expense is paid for in advance of the dealership achieving a benefit. Example: Paying insurance for 12-month policy. 1/12 would be expensed to January, the rest would be held in prepaid insurance which is reduced by 1/12 each month and expensed on the profit and loss statement to insurance expense.
Primary Market Area (PMA)	Geographical area in which a dealership is expected to sell and service vehicles.
Pro Forma Balance Sheet	A forecasted Balance Sheet developed to illustrate working capital and capitalization of proposed dealership.
Productive Personnel	Dealership personnel who directly create gross profits by their primary activity. For example, service technicians and salespeople.

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Productivity	Ratio of technicians' actual hours to available hours.
Profit and Loss Statement	A statement of revenue and expenses for a specific period of time.
Protection Plan	Mechanical breakdown insurance or what is commonly referred to as an extended service contract.
Purchase Allowances	Discounts allowed to a dealer by the factory for the purchase of certain parts and accessories.
PUVR	Per Used Vehicle Retailed.
Ratio	Statistical relationship between two or more financial terms.
Reconditioning	Safety inspection, Mechanical, Body and cosmetic repairs on used vehicles prior to sale.
Reconditioning Cost	The cost incurred to restore a used vehicle to salable condition.
Recourse Contract	Agreement between dealer and finance institution wherein the dealer is obligated to guarantee the unpaid balance of a contract in the event the customer defaults on the loan.
Repossession	Re-acquisition of vehicle from customer who fails to make loan or lease payments.
Reserve	Money set aside to provide for possible future liabilities, asset adjustments, or expenses of the dealership.
Residual Value	The value of an asset at the end of its useful life. In leasing, an estimate made of the wholesale value of the vehicle.
Retail	To sell products and services directly to individual customers.
Retained Earnings	Corporation profits accumulated in prior years retained in the dealership.
Return on Investment (ROI)	A ratio of profit to investment, expressed as a percentage, applying to a given accounting period. Also, called Return on Equity (ROE).
Return on Sales	A ratio of profit to net sales, expressed as a percentage, applying to a given accounting period.
R.O.	Repair order in service department.
ROA	Return on Assets; annualized Net Profit divided by Total Assets (plus LIFO reserves, minus Total Other Assets).
Sales	The amount charged for products or services sold to customers in the normal course of business.
Sales and Profit Forecast	A projection of sales, expenses and profits for a specific future period for the purpose of setting objectives and planning.

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Salesperson Productivity	A measurement of how many vehicles each salesperson sells per month.
S-Corporation	Federal tax classification for corporations where any profit is taxed personally to shareholders rather than to the corporation.
Security Deposit	An amount collected by the owner from the user at the beginning of a contract to provide a measure of protection for the owner against non-compliance with contract stipulations. If not used, this deposit is refundable at the end of the contract term.
Self-Insurance	A practice whereby a company underwrites its own insurance protection.
Selling Expenses	Variable expenses directly related to sales and which usually increase proportionately when sales rise (e.g., commissions).
Selling Ratio	The ratio of used vehicle unit sales to new vehicle unit sales.
Semi-Fixed Expenses	Operating expenses which vary with, but not in direct proportion to, sales volume.
Service Absorption	See: Fixed Coverage.
Service Contract	Agreement providing repairs not covered by factory warranty.
Simple Interest	Charges for a loan of money computed by applying a rate against the amount of the loan outstanding for a given period.
“Stip”	“Stipulation”: term used by lenders requesting certain items be provided or completed in order to approve a credit contract, e.g., copies of W2's, paystubs, etc.
Stock Order Allowance	Discounts allowed to a dealer for the purchase of certain parts and accessories submitted via a stock order pad as specified by the factory.
Sublet	Service or body work performed by an outside vendor.
Subsidiary	A company controlled by a parent company owing substantial interest.
Supportive Personnel	All employees other than productive personnel.
Technician Efficiency	Ratio of technician's flat rate or operation hours to actual hours.
Total Fixed Overhead	Total operating expenses of the building less Variable Selling Expenses.
Transportation Claim	A claim made for reimbursement of the cost of repairs to vehicles damaged in transit.

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Treasury Stock	A purchase by a corporation of its own capital stock that is not retired.
Trial Balance	Listing of all account balances in which the total of debit amounts are equal to credit amounts.
True Turn	Parts inventory turnover based on stock orders only.
UIO	Units in operation; number of registered vehicles (within a certain model year period – usually 7 years) in a dealership's market area.
Unabsorbed Overhead	The excess of the total fixed overhead expense over the combined gross profits of the Service and the Parts and Accessories Departments.
Unapplied Labor (Time)	Amounts paid to mechanics not billable to specific RO's.
Upside Down	An undesirable condition where the market value of a vehicle is less than the loan balance or lease payoff.
Used to New Selling Ratio	The number of retail used vehicles sold retail during a period divided by the number of retail new vehicles sold.
Variable Departments	New and used vehicle departments.
Variable Expenses	Expenses directly related to vehicle sales, e.g., sales commissions.
Variable Gross Profit	The combined gross profits of the New and Used Vehicle Departments.
Variable Net Profit	The combined gross profits of the New and Used Vehicle Departments, less Variable Selling Expenses.
Variable Sales	Sales made by the New and Departments.
Variable Selling Expense	Operating expenses which are directly related to vehicle sales and tend to vary in direct proportion to vehicle sales volume.
Vehicle Delivery Receipt	An acknowledgement of receipt of a vehicle by the buyer or user.
Vehicle Equity	Inventory value less flooring debt.
Vehicle Return Receipt	A form completed at the end of lease contract where the lessor acknowledges return of the vehicle and agrees with the vehicles condition.
Warranty Claim Sales	A sale chargeable to the manufacture under the warranty claims provision of a selling agreement.

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Warranty Receivable	Money due to dealership for repairs covered by factory warranty.
Water	The excess of stated inventory value above actual market value.
Wholesale	Used vehicles sold at auction or to independent wholesalers rather than to retail customers. Also, parts sold to other dealers or businesses, usually at a discount.
Work in Process	Outstanding labor charged on repair orders that remain unbilled at the end of the month.
Working Capital	Total current assets less total current liabilities; net amount of liquid assets necessary to carry out day-to-day operations. (Exclusive of LIFO).
Working Capital Requirement	Net amount of liquid assets necessary to carry out operations. Based upon cash, inventory and receivable needs.
Write-down	Reduction in used vehicle or parts inventory value to market value.