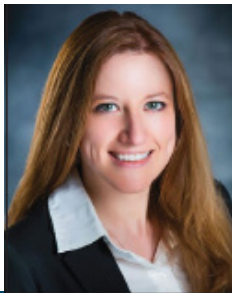




## Helpful Tips for Using the Dealership Financial Statement as a Management Tool



**Tasha Sinclair**  
**Tetrick & Bartlett, PLLC**

In today's data-driven world, dealership financial statements can initially appear overwhelming. However, by concentrating on key areas, you can extract valuable insights into your business's financial performance and health.

### Look Beyond the Income Statement

Many general managers and dealers focus primarily on the income statement and departmental gross profit. While these are important, the balance sheet holds equally critical information that often goes underutilized.

### Investigate Negative Balances

Start by checking for any negative balances on the balance sheet. A negative balance typically indicates that an account is showing the opposite of its expected value and is often the result of a recording error. For example, a negative liability may suggest an overpayment or a missed expense entry. These discrepancies can distort your financial picture, as errors on the balance sheet frequently translate to errors in net income. Always seek clarification from your office manager if a negative balance appears.

### Monitor Trends in Key Asset Accounts

Next, compare the balances in receivables, inventory, and prepaid expenses to the prior month and the same period in the previous year. Developing a baseline for these accounts allows you to identify unusual variances that may warrant further investigation.

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For instance, if receivables and inventory are increasing more rapidly than sales, a cash flow issue could be on the horizon. You might also discover expenses incorrectly categorized as assets. A common example is overstated labor-in-process due to payroll posting errors. If this goes unnoticed, it can accumulate month over month, leading to a major adjustment at year-end when reconciled by your tax accountant. This type of misclassification can falsely inflate service department gross profits over time.

### Leverage Key Ratios for Performance Evaluation

Use financial ratios and metrics to gauge operational efficiency and identify areas for improvement:

- Net Profit as a Percentage of Sales: Compare this metric internally over time and with your 20 Group to benchmark performance.
- Personnel Expense as a Percentage of Gross: Labor is the largest controllable expense. Monitoring this ratio can help determine whether staffing adjustments are needed.
- Total Expenses as a Percentage of Gross: Review this regularly against the previous month and the same month last year. An increasing trend may indicate weakening expense discipline.

### Final Thoughts

Understanding your dealership's financial statement doesn't have to be daunting. By focusing on crucial components — like spotting negative balances, analyzing asset trends, and consistently reviewing key ratios — you can transform your financial statement into a strategic management tool. A comprehensive, rather than compartmentalized, review provides a clearer view of your dealership's financial position and supports better-informed decision-making.

Contact your **AutoCPAGroup** member to gain more insight into your dealership's financial statements. ¶



## The Impact of Tariffs on New Car Dealers

**Gerry Green**  
**Green & Miller, P.C.**

Tariffs — taxes placed on imported goods — are often used by governments to protect domestic industries or gain leverage in trade negotiations. However, for new car dealers, tariffs can create serious challenges that affect pricing, inventory, customer behavior, and long-term planning.

One of the most immediate impacts of tariffs is higher vehicle costs. If a dealership sells cars that are either imported or built with imported parts, tariffs can significantly raise the wholesale price of those vehicles. Manufacturers facing higher costs often pass them down the supply chain. Dealers are then forced to either increase sticker prices, which can hurt sales, or absorb some of the costs, squeezing already thin profit margins.

Beyond costs, tariffs can disrupt supply chains. Manufacturers may shift production to avoid tariff penalties, causing delays or even shortages of certain models. Dealers may find themselves with gaps in their inventory, making it harder to meet customer demand. An unpredictable supply also makes it tough for dealerships to plan their sales strategies or manage their lot space efficiently.

Customer behavior often shifts as well. When prices rise, buyers may decide to delay their purchase, opt for a used vehicle, or downgrade to a less expensive model. A dealership that once thrived on selling premium vehicles might see a drop in demand and will need to adjust its inventory mix accordingly. This can change the dealership's whole business model if not addressed quickly.

Another challenge is increased competition. Tariffs might hit some brands harder than others. For instance, if European luxury cars are heavily taxed while domestic brands are not, dealers representing European brands could struggle to compete on price. On the other hand, dealers selling unaffected brands might see a spike in business, creating new opportunities — but also new pressures, such as keeping enough stock on hand.

Manufacturers often try to soften the blow by offering better financing deals, cash-back incentives, or special lease programs. While these can help drive sales, they sometimes come with complex conditions or shrink dealers' margins even further.

One of the most difficult aspects of tariffs for dealers is the uncertainty they create. Tariffs can change rapidly, depending on political decisions. This makes long-term planning — whether it's expanding a dealership, hiring new staff, or investing in technology — much riskier. Many dealers may become more conservative in their business moves during periods of high tariff uncertainty.

To adapt, successful dealers focus on flexibility. They may diversify their inventory to include more models made domestically or less affected by tariffs. They often strengthen their used car sales departments, where margins can be higher and demand steadier during uncertain times. Smart communication with customers is also key — explaining price changes honestly and offering creative financing options can help maintain trust and loyalty.

In conclusion, tariffs affect new car dealers at multiple levels — from inventory costs to customer habits to competitive positioning. Dealers who stay agile, watch market trends closely, and adjust quickly will be the ones best positioned to thrive, even in a turbulent economic environment.

To discuss this issue further, contact your **AutoCPAGroup** member. ¶

## The Importance of F&I Departments: Increasing Profitability and Customer Satisfaction

In today's competitive automotive market, dealerships must find ways to maximize profitability while ensuring a seamless customer experience. One of the most critical components of achieving both goals is the Finance and Insurance (F&I) department. Often operating behind the scenes, F&I plays a pivotal role in not only boosting dealership revenue, but also enhancing customer satisfaction and long-term loyalty.

### The Role of the F&I Department

The F&I department is responsible for securing financing options, offering extended warranties, and selling additional protection plans to customers. While some buyers may perceive F&I as an extra step in the car-buying process, a well-managed F&I department can provide significant value by:

**-Helping Customers Secure Financing** – F&I professionals work with multiple lenders to provide competitive financing solutions tailored to each buyer's financial situation.

**-Offering Protection Plans** – Extended warranties, gap insurance, and other protection products help customers feel more secure in their purchase.

**-Ensuring Compliance** – Navigating the complex regulatory landscape of automotive sales, ensuring all financial transactions adhere to federal and state laws.

### How F&I Contributes to Dealership Profitability

A strong F&I department can significantly impact a dealership's bottom line. Here's how:

**1. Increased Revenue per Vehicle Sold** – F&I products, such as extended warranties and service contracts, provide additional revenue streams beyond the initial sale of the vehicle.

**2. Higher Customer Retention Rates** – Customers who invest in F&I products are more likely to return to the dealership for maintenance and repairs, leading to future service and sales opportunities.

**3. Better Lender Relationships** – A knowledgeable F&I team fosters strong partnerships with lenders, ensuring competitive financing rates that appeal to customers and drive more sales.

**Justin Burchill**  
**Brady, Martz and Assoc., P.C.**

### Enhancing Customer Satisfaction Through F&I

While profitability is essential, customer satisfaction is just as critical to a dealership's long-term success. A well-trained F&I team can improve the customer experience by:

**-Educating Buyers** – Transparency in presenting financing options and protection plans builds trust and reduces buyer hesitation.

**-Simplifying the Process** – Streamlining paperwork and financing approvals minimizes wait times and enhances the overall purchasing experience.

**-Providing Personalized Solutions** – Matching customers with financial products that fit their specific needs ensures a more positive buying journey.

### Best Practices for a High-Performing F&I Department

To maximize the effectiveness of an F&I department, dealerships should focus on the following best practices:

**-Invest in Training** – Continuous education on financing options, compliance regulations, and customer service techniques ensures F&I staff remain knowledgeable and effective.

**-Leverage Technology** – Digital tools can streamline the F&I process, reducing paperwork and improving efficiency.

**-Prioritize Transparency** – Clearly explaining financing terms and product benefits builds customer trust and encourages repeat business.

The F&I department is a key driver of both profitability and customer satisfaction in the automotive dealership industry. By optimizing F&I operations and prioritizing customer-centric strategies, dealerships can increase revenue while building lasting relationships with their buyers.

To discuss this key driver of dealership profitability and customer satisfaction, contact your **AutoCPAGroup** member. ¶





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