Vehicle Sales: Transition to Deliver

This is a step by step instruction of moving vehicles from Working to Delivered or BHPH in the Finance Module and the subsequent Journal Entry posting to the Accounting Module.

References to a Module will be denoted by [ ] around the name of the module.
References to Tabs will be denoted by { } around the name of the tab.
References to Buttons will be denoted by * * around the name on the button.
References to Boxes will be denoted by " " around the name next to the box.
References to Lines on the Sales Contract will be denoted by _____ beneath the name of the box.

In [Finance], set {Recall} to "Working" and hi-lite the customer.
Go to the {Finance} and check the following information against the sales contract
1. Check to see if Cash Price of Vehicle matches "Price"
2. Check to see if Extended Service (Secured Capitol Management or One Choice) match "Ext Svc"
3. Check to see if Insurance (Credit Insurance) matches the sum of "CL Premium" and "AH Premium" found in [Finance]/{Finance}/ {Disc}
4. Check to see if Sales Tax matches "Sales Tax" in [Finance]/{Finance}/{Disc}
5. Check to see if Admin Fee matches the sum of "Prepaid Fee" and "Processing"
6. Check to see if Temporary Permit matches "30 Day Temp Tag"
7. Check to see if Less Trade-in Allowance matches "Trade"
8. Check to see if Balance Owed on Trade-in matches "Payoff"
9. If a Trade exists go to [Finance]/{Trade-in} and enter all pertinent information from the sales contract (Special note: The "Stock No" is necessary)
10. If a Trade exists go to [Finance]/{Finance}/*Recap*, the Deal Recap screen will appear. Enter the actual value or cost of the vehicle to the dealership in "Acv1" which is located directly to the right of "Trade" (Check with Julie to find out how to determine the values to be entered here). Close the Screen.
11. Return to [Finance]/{Finance} to determine type of deal. The type of deal determines how you will perform the movement from "Working" to either "Delivered" or "BHPH".
12. Return to [Finance]/{Recall} and click on *Change Group* and the Change Group screen will appear. The group you are changing to depends on the type of deal. The following will instruct you on which group to choose. Click on the *dot* next to your choice and click *Apply*
    A. Home Bank & Trust- Choose "Delivered" (Exception: if "Pick Up" payments exist then choose "BHPH").
    B. Innovative Auto Sales - Choose "BHPH" (be sure that you enter the "BHPH Account No" is entered. Use the stock number of the vehicle purchased).
    C. Cash Deal- Choose "Delivered" (Exception: if "Pick Up" payments exist then choose "BHPH").
    D. Bank Haven- Choose "Delivered" (Exception: if "Pick Up" payments exist then choose "BHPH").

Vehicle Sales: Posting Sales

In [Accounting]/*Vehicle Sales* go to the drop down list button to the right of the "Stock Number" box and click on the entry to be posted. The entry screen will appear. Check for accuracy and if correct click *Record*. To ascertain whether the entry is correct read the next section that explains how the entry is developed.

Vehicle Sales Posting

This section will explain the transactions that take place when a vehicle sale is complete and the deal is moved from the "Working" customer group to the "Delivered and/or BHPH" customer group. As the sale is moved to delivered the accounting entry is moved to the accounting system to be posted by the accountant/bookkeeper/administrative staff in the "Receivable/Sales Module"(See the Sale/Receivables section for detailed instructions). We will go through the basic rules of making a journal entry and show you what the journal entry will look like. We will go through each function of the sales system and the entry that occurs. Finally we will look at the screens and show how they relate to the journal entry.

Basic Rules of Accounting for Sales Transactions

Key Terms and Rules:
Account- A record used to summarize all increases and decreases in a particular asset, liability, equity, income or expense.
Account Balance- The difference in dollars between the total debits and total credits in an account.
Credit- An amount entered on the right-hand side of an account. A credit is used to record a decrease in an asset or expense account or an increase in a liability, income or equity account.
Debit- An amount entered on the left-hand side of an account. A debit is used to record an increase in an asset or expense account or a decrease in a liability, income or equity account.
Double-entry system- In recording transactions, the total dollar amount of debits must equal the total dollar amount of credits.
Journal- A chronological record of transactions, showing for each transaction the debits and credits to be entered to specific ledger accounts.
Journal Entry- is the double-entry system way of recording a transaction in the Journal.
Ledger- a specific record containing all of the transactions recorded in an account. The ledger should also contain the account balance.
Subsidiary Ledger- Contains a listing of all transactions for each individual employee, inventory item, vendor or customer. The total balance of all employee, inventory item, vendor or customer accounts contained in a subsidiary ledger will equal the total in the account ledger. In this system there are Accounts Payable, Accounts Receivable, Inventory, BHPH Receivables, and Employee subsidiary ledgers.

Journal Entry

Account Name	Description	Debit	Credit
Cost of Goods Sold Cars	Cost of Sales	22,780.00	

Cost of Goods Sold Misc	Reconditioning	478.13	
Accounts Receivable - Trade	Amount Financed	28,125.84	
Cash on Hand	Cash On Delivery	1,000.00	
Inventory	Trade in	6,500.00	
Cost of Goods Sold Misc	Ext Svc Cost	325.00	
Cost of Goods Sold Misc	Gap Cost	85.00	
Cost of Goods Sold Misc	AfterMkt Cost	25.00	
Sales of Cars	Vehicle Sale		28,797.66
Inventory	Inventory		23,258.13
Accounts Payable - Trade	Payoff on Trade		1,800.00
Sales Misc	Ext Svc Sale		650.00
Accounts Payable - Trade	Ext Svc Payable		325.00
Sales Misc	Gap Sale		125.00
Accounts Payable - Trade	Gap Payable		85.00
Sales Misc	AfterMkt Sale		80.00
Sales Misc	Insurance Comm		1,498.45
Accounts Payable - Trade	Insurance Payable		1,226.00
Sales Tax Payable	Sales Tax		1,359.73
Sales Misc	Title & Registration		30.00
Sales Misc	Lien		4.00
Sales Misc	Processing		35.00
Sales Misc	30 Day Temp Tag		30.00
Sales Misc	Inspection Fee		15.00
		59,318.97	59,318.97

Functions
Function- Decrease the Inventory and Record Cost of Sales

For each sale there will be a decrease (credit)to the Inventory account for the car being sold and any additional expenses for repairs and upgrades and an increase (debit) in the Cost of Goods Sold. The entry that is generated for the accounting system is the following.

Account Name	Description	Debit	Credit
Cost of Goods Sold Cars	Cost of Sales	22,780.00	
Cost of Goods Sold Misc	Reconditioning	478.13	
Inventory	Inventory		23,258.13

Note: Once a sale is completed and is moved to the Delivered or BHPH Customer Group the car that is sold will be moved to current Inventory list to the Sold & Posted Inventory list.

Function- Record Income

For each sale there will be an increase in income. To income accounts are increased by a credit entry and a debit to either Accounts Receivable account or a Cash account. Whether the debit side of the entry is to an Accounts Receivable account or a Cash account depends upon the type of financial arrangement made during the sale. There are three different types of financial arrangements possible: Financed by the Bank, Financed by the Dealer(Buy Here Pay Here

[BHPH]), and Cash. We will go through each of the entries that results from these different arrangements. (Note: sales of insurance, extended service, Gap and other miscellaneous fees are not shown in these entries, they will be covered later, but it should be stated that the income from these things will be included in the income figure).

Sale Financed by the Bank

Account Name	Description	Debit	Credit
Accounts Receivable - Trade	Amount financed	28,797.66	
Sales of Cars	Sale Price		28,797.66

Note: In the accounting module an entry will be posted to the Accounts Receivable account for the specific bank that is financing the arrangement. When the bank issues a check for the amount financed it will be entered under Sales/Receivables, Accounts Receivable button in the accounting module. See Sales/Receivable, Accounts Receivable section for more detailed instruction on entry.

Sale Financed by the Dealer (BHPH)

Account Name	Description	Debit	Credit
Accounts Receivable - BHPH	Amount financed	28,797.66	
Sales of Cars	Sale Price		28,797.66

Note: A corresponding account will be set up in the F&I module BHPH for each customer for collection of payments. As money is received an entry will be made in Collection that will post to the accounting system it is collected. The BHPH system is totally separate from the Sales/Receivable, Accounts Receivable section. For more detailed instructions on the BHPH collections see the BHPH section.

Sale Paid in Cash

Account Name	Description	Debit	Credit
Cash or Bank Account	Amount Paid	28,797.66	
Sales of Cars	Sale Price		28,797.66

Function - Recording Trade -ins

For each sale where a trade-in is made an increase (debit) to inventory and an increase (credit) in payables to the customer.   If the customer still owes money on the vehicle being traded then an increase (credit) is accounts payable and an increase (debit) in the accounts payable to customer. If the actual value is less then the amount of trade in it decreases the sales income.

Account Name	Description	Debit	Credit
Inventory	Trade in	6,500.00	
Sales Car	Difference in Acv & Trade in	300.00	
Accounts Payable- Customer	Trade in amount		6,800.00
Accounts Payable- Trade	Payoff on Trade		1,800.00
Accounts Payable-Customer	Payoff on Trade	1,800.00	

Normally in a journal entry an account like the accounts receivable above would only appear once in the entry with the 1,800 subtracted from the (6,500+300). So the entry would be as such.

Note that Accounts Payable- Customer in the above entry has been changed to Accounts Receivable - Trade below, this is due to the fact that a trade - in is like cash down and reduces that amount of the loan on the vehicle being purchased.

Inventory	Trade in	6,500.00	
Sales Car	Difference in Acv & Trade in	300.00	
Accounts Payable - Trade	Payoff on Trade		1,800.00
Accounts Receivable	Trade in - Payoff		5,000.00

Function - Record Other Income & Expenses

The sales of extended services agreements, Gap insurance, After Market insurance and other Insurances are items where a payable is generated

Account Name	Description	Debit	Credit
Accounts Receivable - Trade	Amount Financed	3,554.45	
Cost of Goods Sold Misc	Ext Svc Cost	325.00	
Cost of Goods Sold Misc	Gap Cost	85.00	
Cost of Goods Sold Misc	AfterMkt Cost	25.00	
Sales Misc	Ext Svc Sale		650.00
Accounts Payable - Trade	Ext Svc Payable		325.00
Sales Misc	Gap Sale		125.00
Accounts Payable - Trade	Gap Payable		85.00
Sales Misc	AfterMkt Sale		80.00
Sales Misc	Insurance Comm		1,498.45
Accounts Payable - Trade	Insurance Payable		1,226.00

> Note: No After Market Payable was set up, this was due to the fact that the dealer is the providing the service therefore not payable was necessary, if an After Market Payable had been established in the "F&I' module, "Finance" tab, "Ins" tab then a payable would have been set up on the journal entry.   Also note that no cost of good sold was established for the insurance, this is due to the fact that the dealer receives commissions so there is no actual cost to the dealership. The Insurance commission and payable added together make up the total amount receivables

Sales tax, title & registration, lien, processing, 30 day temp tag, inspection fee, VSI, tire tax and luxury tax record only as income or a payable. The tax items set a direct payable with no cost posted to the dealership books. The other costs are usually expensed in earlier or there is no directly identifiable expense and therefore only the income is shown in the journal entry.

Account Name	Description	Debit	Credit
Account Payable - Trade	Amount Financed	1,473.73	
Sales Tax Payable	Sales Tax		1,359.73
Sales Misc	Title & Registration		30.00
Sales Misc	Lien		4.00
Sales Misc	Processing		35.00
Sales Misc	30 Day Temp Tag		30.00
Sales Misc	Inspection Fee		15.00

Relating Journal Entry to Finance Screen

Finance

Let start with a break down of figures that are made up of a more than one line from the screens.

Sale Price:

Price	See F&I/Finance/Price	29,072.66
AfterMkt Payable	See Recap/AftMkt/Cost	(25.00)
Over/Under	See Recap/ Over-Under	300.00
Vehicle Sale	Journal Entry	28,797.66

Accounts Receivable:

Cash Down	See F&I/Finance/Cash Down	(1,000.00)
Trade in	See Recap/Acv 1	(6,500.00)
After Market Cost	See Recap/AftMkt/Cost	(25.00)
Vehicle Sale	See Sale Price above	28,797.66
Payoff Trade in	See F&I/Finance/Payoff	1,800.00
Extended Service Sales	See F&I/Finance/Ext Svc	650.00
Gap Sales	See F&I/Finance/Gap	125.00
After Market Sales	See F&I/Finance/Aftermarket	80.00
Insurance Commission	See Insurance Below	1,498.45
Insurance Payable	See Insurance Below	1,226.00
Sales Tax Payable	See Disc/Sales Tax	1,359.73
Title & Registration	See F&I/Finance/Title & Reg	30.00
Lien	See F&I/Finance/Lien	4.00
Processing	See F&I/Finance/Processing	35.00
30 Day Temp Tag	See F&I/Finance/30 Day Temp Tag	30.00
Inspection Fee	See F&I/Finance/Inspection Fee	15.00

Accounts Receivable - Trade	Journal Entry	28,125.84

Insurance:

		Premium		Commission	Payable
CL Premium	See Disc	1,349.73	See Recap	742.35	607.38
AH Premium	See Disc	1,374.72	See Recap	756.10	618.62
				1,498.45	1,226.00

Disc

Recap

Now we will look at the Journal Entry Line by Line and relate it to the screens and break outs above.

Account Name	Description	Location	Debit	Credit
Cost of Goods Sold Cars	Cost of Sales	See Recap/Cost-478.13	22,780.00	
Cost of Goods Sold Misc	Reconditioning	See Recap/Cost-22,780.00	478.13	
Accounts Receivable - Trade	Amount Financed	See Account Receivable above	28,125.84	
Cash on Hand	Cash On Delivery	See F&I/Finance/Cash Down	1,000.00	
Inventory	Trade in	See Recap/Acv 1	6,500.00	
Cost of Goods Sold Misc	Ext Svc Cost	See Recap/Ext Svc/Cost	325.00	
Cost of Goods Sold Misc	Gap Cost	See Recap/Gap/Cost	85.00	
Cost of Goods Sold Misc	AfterMkt Cost	See Recap/Aftermarket/Cost	25.00	
Sales of Cars	Vehicle Sale	See Sale Price above		28,797.66
Inventory	Inventory	See Recap/Cost		23,258.13
Accounts Payable - Trade	Payoff on Trade	See F&I/Finance/Payoff		1,800.00
Sales Misc	Ext Svc Sale	See F&I/Finance/Ext Svc		650.00
Accounts Payable - Trade	Ext Svc Payable	See Recap/Ext Svc/Cost		325.00
Sales Misc	Gap Sale	See F&I/Finance/Gap		125.00
Accounts Payable - Trade	Gap Payable	See Recap/Gap/Cost		85.00
Sales Misc	AfterMkt Sale	See F&I/Finance/Aftermarket		80.00
Sales Misc	Insurance Comm	See Insurance above		1,498.45
Accounts Payable - Trade	Insurance Payable	See Insurance above		1,226.00
Sales Tax Payable	Sales Tax	See Disc/Sales Tax		1,359.73
Sales Misc	Title & Registration	See F&I/Finance/Title & Reg		30.00
Sales Misc	Lien	See F&I/Finance/Lien		4.00
Sales Misc	Processing	See F&I/Finance/Processing		35.00
Sales Misc	30 Day Temp Tag	See F&I/Finance/30 Day Temp Tag		30.00
Sales Misc	Inspection Fee	See F&I/Finance/Inspection Fee		15.00
			59,318.97	59,318.97

Making Corrections to Vehicle Sales Posting

Mistakes and changes can be made at various stages of the process of entering the sale, moving the sale from "Working" to "Delivered" and during/after Journal Entry Posting. There are a number of steps that need to be followed in order to delete and re-enter any Vehicle Sales Posting. We will start with, after Journal Entry Posting, and move all the way back to the start of the process. In practice you may find a mistake before the entire process is completed, in which case you should begin correcting the process at the step that the mistake or change occurred, therefore to correct it you must start at the same step in the instructions below a. For example if the mistake was found after the Sale was moved from Working to Delivered but before posting, you would proceed to step in the instruction that reverses the Journal Entry that occurs when a vehicle is moved from Working to Delivered and do all of the steps listed before re-entering the Sale or correcting the entry.

Mistake or change being made after the Journal Entry is posted.
1. Go to [Accounting]/{Transaction Journal}/ {Sales} and high-lite the entry (entries are arranged by date). Click on *Reverse*.
2. If customers deal is "BHPH" Go to [Finance]/{Recall}/"BHPH", highlite the customers name that relates to the entry. Click *Delete*. A text message will appear that says, "This will Delete the BHPH Information, The Deal will still by in Delivered." Click *Yes*. Complete step 3 in order to delete from "Delivered" to "Working"
3. If customers deal is "Delivered" Go to [Finance]/{Recall}/"Delivered, high-lite the customers name that relates to the entry. Click *Delete*. A text message will appear that says, "Delivered Deals can not be Deleted, D you wish to move this Deal Back to Working". Click *Yes*.
4. Make changes in the [Finance] module necessary to correct the entry and begin the Transition

and Posting process again.