

# POWER STEERING



**MichaelSilver**

CPAs | Advisors

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As we wrote in the January 2023 month's issue, the year 2022 was the second-best year for new vehicle dealer's pre-tax net profit as a percentage of sales of 4.9%, compared to the best year ever of 5.4% in 2021. We have expected the best results year of 2021 would gradually trend downward back to pre-Covid years of 2019, which was 2.3% pre-tax net profit percentage of sales. This trend appears to be slowly continuing. Though it is only one month, all four of the dealer groups net percentage of sales is down in comparison to January 2022.

Comparing January 2022 to January 2023 reflects as follows:

	Net % Sales – 2022	Net % Sales – 2023
Chrysler	4.8%	1.9%
Ford	4.1%	3.9%
G.M.	3.1%	2.2%
Imports	5.2%	2.3%
Overall	4.2%	2.6%

## MONTHLY FINANCIAL RESULTS – JANUARY 2023

	January Better Than December	January Worse Than December	January Best Month	Net Profit % Sales January	New Units	Used Units
CHRYSLER	—	—	—	1.9%	22	36
FORD	—	—	—	3.9%	32	39
G.M.	—	—	—	2.2%	30	40
IMPORTS	—	—	—	2.3%	45	44
OVERALL	—	—	—	2.6%	31	39

	Net < 3.0%	Net 3.0 – 3.99%	Net 4.0 – 4.99%	Net + 5.0%
CHRYSLER	50%	25%	10%	15%
FORD	40%	20%	10%	30%
G.M.	45%	35%	10%	10%
IMPORTS	55%	25%	10%	10%
OVERALL	50%	25%	10%	15%

## MONTHLY FINANCIAL RESULTS – DECEMBER 2022

	December Better Than November	December Worse Than November	December Best Month	Net Profit % Sales November	New Units	Used Units
CHRYSLER	10%	90%	5%	N/A	25	32
FORD	40%	60%	20%	2.6%	27	61
G.M.	50%	50%	20%	3.0%	37	42
IMPORTS	45%	55%	5%	3.8%	53	50
OVERALL	40%	60%	10%	2.3%	37	47

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## Federal Income Taxes (corrected)

Last month we had national metrics with 11% of earners. It should have been 1.1%. We have corrected this in this article. Also, at times we hear certain politicians and the media say the high income, sometimes mixing income with “wealth,” taxpayers are not paying their “fair share.” We guess almost all those that say this have no idea about what they are talking about. The IRS publishes in its many thousands of documents income and income tax metrics. These metrics do not include many tax-free benefits tens of millions of citizens receive. Below we have shown Individual Income Tax metrics reported by the IRS for calendar year 2019 and 2020.

	2019	2020
Top 1.1% of earners number of tax returns	1,719,000	1,846,000
Income range top 1.1% of earners	+ \$500,000	+ \$500,000
Top 1.1% of earners gross income of total income	21%	23%
Top 1.1% of income taxes paid percentage of total income taxes	40%	44%

As a summary of the above, the top 1.1% of earners make 21% of the total adjusted gross income and pay 40–44% of the income taxes.



## New Vehicle Inventory Allocation

Most new vehicle dealers do not “really” know how their factory “allocates” new vehicle inventory each month. Dealers think they know or only know in general terms but they do not really know. We would suggest you email your factory representative asking them to put in writing how they allocate new units to you each month. You do have the right to know even though it will probably take a couple of requests before you obtain a detailed answer. Your factory should be able to answer in detail how they allocate new units. Often times they will be reluctant to respond accurately and in detail. You should know this information so you can see if you are being allocated reasonably. Feel free to contact us to discuss at no charge.

## Parts Inventory

We find at the end of the year when we are preparing the income tax returns for over 275 new vehicle dealers we ask for a parts inventory summary from the parts manager’s computer parts inventory. This summary report will give you several categories of the parts inventory along with an aging of the parts inventory. We suggest you as a dealer meet with the parts manager to discuss the total as it compares to the accounting parts inventory balance and the amount of parts inventory exceeding 5%. If there is a substantial difference inquire why and/or if you do not like the answer, feel free to call us at no charge.



# Job Descriptions

We have listed below most of the individual job categories that exist for the accounting office. We have used the most common Journal # category (used by computer vendors supplying new vehicle dealers) to define most of the categories. You might use this in your dealership to see who is performing various job functions in the office, if there is backup for each position, for interviewing prospective office employees and/or to see that there is a balance in the office in the assignment of the workload. (Sometimes the third digit is dropped off)

<u>Journal</u>	<u>Description</u>	<u>Main</u>	<u>Back-Up</u>
100	Prepare Paperwork On New Vehicle Deals		
100	Prepare Paperwork On Dealer Trade Deals		
100	Computer Input Of New Vehicle Deals		
100	Prepare License And Title Work - New Deals		
100	DCS Input Of New Vehicle Sales		
200	Prepare Paperwork On Used Retail Deals		
200	Prepare Paperwork On Used Wholesale Deals		
200	Prepare License And Title Work - Used Vehicle Deals		
200	Computer Input Of Used Vehicle Deals		
300	Prepare Paperwork On Repair Orders		
300	Computer Input Repair Orders		
300	Prepare Paperwork On Parts Counter Tickets		
300	Computer Input Parts Counter Tickets		
300	Prepare Paperwork On Internals		
300	Computer Input Internals		
300	Prepare Paperwork On Warranty Claims		
300	DCS Input Of Warranty Claims & Extended Warranty		
300	Computer Input Warranty Claims		
300	Computer Input Of Warranty Claim Credit Memos		
400	Computation Of Payroll		
400	Computer Input Of Payroll		
500	Preparation Of Bank Deposit		
500	Computer Input Of Bank Deposit		
600	Preparation Of Accounts Payable Checks		
600	Preparation Of Vehicle Deal Checks		
600	Computer Input Of Checks		
700	Stock In New Vehicles		
700	Computer Input Of New Vehicle Inventory		
750	Prepare Paperwork On Accounts Payable		
750	Computer Input Of Accounts Payable		
800	Prepare Paperwork On Journal Entries		
800	Prepare Standard Journal Entries		
800	Computer Input Of Journal Entries		
800	Preparation Of Financial Statement Statistics		
800	Computer Input Of Statistics		
	Daily Doc Sheet Preparation		
	Financial Statement Preparation & Analysis		
	Budgeting		
	Accounting Reconciliation		
	Take Bank Deposit, Post Office, Errands		
	Telephone Switchboard _____		
	Cashier _____		
	Accounts Receivable Stmt's & Collections _____		
	Personnel Matters _____		
	Missing Documents _____		



# National Economic Metrics

We receive an Interest Rate Risk Management weekly update courtesy of KeyBank.

Some of the informative metrics include:

SOFR (comparable to LIBOR)	4.55%
Fed Funds rate	4.75%
Prime rate	7.75%

We receive a Chicago Fed Survey of Economic Conditions:

Expected 12 month change in U.S. Economic Activity	small increase
Expected 12 month change in Prices	small increase
Change in Employment	no change
Change in Credit Conditions	neutral