Keeping Accounts Receivable Current, a key Component in Managing your Working Capital

Profits only come from paid sales

One of the most challenging issues facing the back office of any dealership is the efficient collection of accounts receivable. Collecting receivables is like a trip to the dentist, necessary but definitely not fun.

The thing is that profits are realized ONLY from paid sales, until the paid event it is simply someone's opinion that the money will eventually go into your dealerships checking account. An expression I like to use, "Profit is opinion – Cash is fact" applies here. The sale is a key event but it is not "high five time" until the money is collected.

The problem is that when it comes to receivables collections you are in a race against time. Receivables are like produce. Just as lettuce loses value the longer it sets on the self, the longer an account goes unpaid the more likely it is that you won't collect the money. The older it gets the more likely it becomes that it will eventually come off your balance sheet as a direct hit to profit on the bad debt expense line.

Please don't let your people procrastinate on this. The fact is that more businesses fail for lack of cash than for want of profit; making it most important that everyone in your organization is in full agreement with you that the sale is not finished until the money is collected.

Hopefully everyone in your organization agrees that putting money into the dealerships checking account is the purpose of all dealership sales activity and everyone is on board with good collection processes, including the most important element, the strict application of good procedures in granting of credit privileges.

Once you cross the threshold of actually giving a customer a receivable account, successfully managing them require a number of computer tools that most Dealership Management Systems provide out of the box.

- ✓ Prompt billing
- ✓ Ageing analysis tools
- ✓ Credit limit tools

To make sure you don't have a problem, run and review the reports for your system. Usually review and analysis once a month is sufficient. But, if you start to have collection problems it is best to invoke credit limit tools immediately and start performing ageing analysis reviews weekly.

Today's business world places customers in the highest regard with their satisfaction and retention the prime element of success. Building a loyal customer base with quality service and attention to their needs has become the common strategy for staying competitive in the retail world. With out satisfied customers there would be no one to purchase our vehicles and services. But, in my opinion the term "customer" is really incomplete; the correct phrase should be "paying customer." Please consider a simple fact; a customer is not a customer until they pay the bill.

For ARG Users

For a report of Past Due A/R customers select the "Print A/R Past Due Lists" from the Account Receivable Main Menu. Select the desired number of copies and preferred sort sequence and print the report. The credit limit report is not part of the core DMS functionality. Instead, our clients us a reporting tool called "Executive Assistant" which allows our clients to create specific reports like the Credit limit report and customize it to meet their specific needs. *Submitted by Darren Deese of the ADP Automotive Retail Group*

For ADP Users

For a report of Past Due A/R customers enter ARP from any accounting prompt. Enter the age of the receivables you are interested in seeing, (30, 60, 90 OR 120) then choose a sort sequence and include email address yes or no and print the report. For credit limit information use the ARO report. From the accounting prompt enter function ARO and choose the report of customers over their credit limit or customer who are with in a specified percent of their limit. The prompts are similar to the ARP prompts. *Submitted by Jim Skeans of Jim Skeans Consulting Group LLC*

For AutoSoft Users

The AutoSoft DMS stores this information in a number of places within the system, but as this applies to aged receivables the system does not generate such a report. The system can, however, show those who have a credit limit and what they owe or if their balance is zero and this is then shown against their total credit limit. For aging reports, click on the Dealer Principal module (as well as in the General Manager module, providing this function is not password-protected for the general manager), click to on the Dealer Principal/General Manager tab, select Schedules button and click again. A list of "scheduled accounts" appears. Depending on franchise, select the account for "Accounts Receivables." An on-screen report appears showing the customer, days old, balance and

what part is over 60 days old. The bottom of the report then totals by current, 30, 60, 90, 120 days and then the total outstanding balance. This report is printable from this screen. Next, click the "Accounting" button, then click the "Print Receivable Schedule" button. Choices will appear: Print A/R Schedule; this will again show the amount owed, balance and days aged; or Print Short List, which will show customer, phone number, amount owed (Current, 30, 60, 90, 120, late charge and balance), additionally it shows amount of business YTD. This is a good report for collections. From this screen you can print two other forms: Customer Overdue notices and Overdue Notice for one customer. Both create this notice to be mailed to customers or one customer. *Submitted by Jim Leman of AutoSoft International*

For Reynolds + Reynolds Users

Use the A/R Past Due Analysis (0388) to report customers with A/R amounts past due. The report lists the total A/R balance, current month balance, and aged amounts for the customers selected. You specify the aging columns to print. Use the A/R Credit/Collection Tools (0390) to report credit limit, A/R balance, available credit and purchase history for all or selected A/R customers. *Submitted by Jim Skeans of Jim Skeans Consulting Group LLC*

For UCS Users

The POWER Workstation Parts Invoicing (PIN) and Service (SVC) software applications prevent customers from charging over their limit. You can also specify (by number of days past due) when a customer is considered delinquent, and the system can stop delinquent customers from making purchases as well. To view an "A/R Past Due" report, open the Management Accounting (MAC) application, and select *Print – Standard Reports – MAC to NAD Batch Update*. This report shows customer balances for 30, 60, and 90 days past due, as well as total A/R outstanding. *Submitted by Landis Martin of Universal Computer Systems*

***Jim Skeans** is the president of Jim Skeans Consulting Group LLC and has been in the automobile business for more than 35 years. Jim is a former senior consultant for an international automotive consulting group and has served in all of the traditional dealership management and staff positions as well as director position with a large national dealership group.*