

4 BENEFITS OF CENTRALIZED ACCOUNTING

Multistore dealers are using centralized accounting practices to improve consistency, productivity, and customer and partner relationships – and, most importantly, save time and money.

Every dealer wants to be profitable, and the accounting department is key to understanding how that happens. All the major dealership management system (DMS) vendors have functions that allow you to run a variety of reports and drill down into your numbers, so it's easy to see if your store is on track to meet its goals.

But what happens when you have more than one retail location? Having separate accounting staff in each space can cause inefficiencies, redundancies, and longer closing times.

To solve this dilemma, many auto groups have moved to a hub-spoke system of centralized accounting. This means the majority of the office staff are in one location and each store has one accounting support person. Let's review the four key benefits of this arrangement.

1. YOUR ACCOUNTING PROCESSES ARE MORE CONSISTENT.

A centralized accounting staff handles payables and receivables for all locations. This results in processes being followed more consistently and efficiently, as a team in one location works together in a more coordinated effort.

For example, many dealerships still haven't transitioned from handwritten cash receipts to electronic cash receipts. Handwritten receipts are easily lost or damaged. And getting the information transferred into the system can be a messy process with unnecessary delays.

Centralized accounting makes it easier to standardize procedures so you can fine-tune the accounting systems to close quickly. If a problem is uncovered, it's easier to research the issue, since the closing team has onsite access to the detailed transaction.

2. YOUR ACCOUNTING STAFF IS MORE PRODUCTIVE.

If you operate multiple locations, you may be sending multiple, separate payments to vendors, suppliers and service providers. Efforts are duplicated and additional time is needed to correct errors. Dealers save time and money by eliminating redundancies and increasing efficiencies.

Another process that can be unproductive is the use of inquiry screens. With a centralized system, staff can look up accounts across multiple locations at the same time. For example, if a manager needs to review the cash accounts, they can look up and see all the details in one screen, instead of having to perform multiple inquiries.

3. YOU IMPROVE CUSTOMER AND PARTNER RELATIONS.

If your local body shop buys parts from three different stores in your group, they get three invoices. With centralized accounting, your group can send one invoice with charges from each location, which makes it more convenient and easier for the body shop to track their expenses.

And if for some reason the body shop is late on a payment, instead of getting three calls from three people, they will get one call from one person.

4. YOU SAVE TIME AND MONEY.

If time is money, then centralized accounting can save a lot of both. Monthly closings can take days, so the more efficient the procedures are, the more you will save. With centralized accounting, staff can close multiple locations with a single process.

Without it, it's inevitable that some locations will be less efficient than others due to different policies, training, staff availability and management skills. Inevitably someone

will be late in forwarding results to headquarters, which can delay the close.

According to research conducted by Ideal AP, companies that establish centralized accounts payable operations have a per-bill processing cost approximately \$2 less than a decentralized system. Also, businesses with centralized accounting are more likely to use a form of online bill pay or electronic transfers, which expedites cash flow and greatly reduces mailing costs.

Another centralized accounting process that saves time is automated intercompany general journal postings. The general journal is how transactions are posted to accounting that aren't generated by other system modules. An automated feature speeds the process of handling adjustments, write offs, depreciation and transactions that happen in third-party applications. Intercompany expands on that by allowing multistore companies to quickly perform these tasks across the entire operation at once.

It's not uncommon for an auto group to have hundreds of journal entries to reconcile at the end of every month, which can take many hours — if not days — to complete. Automating journal entries virtually eliminates the need to create dozens of manual transactions, along with the need to reconcile them.

Auto groups still using decentralized accounting practices may want to consider the benefits of moving to a centralized process. A centralized accounting system streamlines many processes, improves productivity and saves time and money.

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