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## Dealership Review Guide:

1. Import Trial Balance (Step 6 on the Business Tax Walkthrough on HHM Academy)- Make sure to import the trial balance with no cents. On the TB Import screen, change the drop down beside 'Round Balance to Nearest' to \$1.

Paste TB Import

Trial Balance and Chart of Accounts

Select trial balance: TB Database

Chart of Accounts:

Account	Description	Balance
4000	Sales	-121,716.21

☒ Append  
☐ Overwrite

Duplicate account(s): 0  
 Invalid account(s): 0  
 Blank item(s): 0

Round balance to nearest: \$1  
 Select rounding account:

Next > Cancel Help

2. Group Accounts- Grouping is very important, as it sets the foundation for the analysis and inquiry in a review. Preparers should use the dealership groupings for first year clients. If grouping a legacy client, do not change the groupings unless instructed by the in-charge. Groupings should match up closely with the client-provided DFS. The grouping template can be found at the following path on the S-Drive:

S:\HHM\HHM Niches\Dealership Services\Dealership Financial Statements\Account Groupings

3. Tie the trial balance net income to the net income on page 1 of the Dealer Financial Statement. See example below:

Account	Description	1st PP-FINAL 12/31/2023	UNADJ 12/31/2024
	NET (INCOME) LOSS	1,954,592.67	1,861,895.98

TOTAL	459	-	295	126		399	(1,861,896)
INCOME FROM OTHER OPERATIONS						98	-
ESTIMATED INCOME TAXES						99	-
NET EARNINGS - PROFIT OR (LOSS)						(LINES 64 & 65 MINI	(1,861,896)
TOTAL NET WORTH						(LINES 41 TO 50	4,176,019
TOTAL LIABILITIES & NET WORTH						(LINES 32	14,061,656

4. Roll Equity (Step 9 on the Business Tax Walkthrough on HHM Academy)
5. Calculate Materiality- The materiality calculation should use pre-tax income, total assets (not including ROU Asset) and gross profit. If there is a net loss, reduce the percentage and do not include the net loss. You will do an initial unadjusted materiality calculation and a final materiality calculation after all adjustments have been made. First year staff should get a manager to review materiality calculation. (See Appendix A for additional information)
6. Complete Knowledge Coach Workpapers (See Appendix A)- Complete the following workpapers: Consult with the in-charge if you are unsure of how to answer Knowledge Coach questions.
  - a. Pre-Engagement Procedures: WP 42.01
  - b. Tailoring Questions/ Client Inquiries: WP 41.01-41.05
  - c. Financial Statement Disclosure Checklist: WP 11.01
  - d. Review Checklists: WP 49.01-49.02
7. Print off and review prior year RJE, AJEs and PAJEs- It is important to consider journal entries that would impact the analytics prior to sending the request list. (See Appendix A for additional information)
8. Management Points- Make a list of points for management while completing the analytics and substantive sections. Review the prior year letter and use the schedule review spreadsheet to compile notes for the management letter. The schedule review and management point templates can be found at the following path in the S-Drive.

S:\HHM\HHM Niches\Dealership Services\DSG Annual Training\2024  
Training - Chattanooga\Templates
9. Request List- Create a request list for the client as you go through the analytics and substantive sections. The request list should be sent to the in-charge after going through these sections.
10. Analytics (See the Analytics section on page 5)
11. Substantive Section- Add workpaper references and notes to the working trail balance, ensuring they correspond to the documents in the substantive section. As you work through this section, make note of the following:
  - a. Aged items– CIT >10 days, AR >30 days except body shops which normally run 60 days, incentives, rebates, and warranty are critical
  - b. Large balance changes YOY
  - c. Large controls on schedules
  - d. Large and/ or aged items on the bank reconciliation- especially deposits
  - e. Intercompany

- f. Prepaids- look at account details, large balances, and credit balances
  - g. Accruals- look at account details, large balances, and debit balances
  - h. The wrong sign in an account - debits in liability accounts/ credits in asset accounts
  - i. Other Income- This should include non-operating or unusual income. Packs and gross items should be reclassified out of this account. Request the account detail if the client does not originally provide it.
12. LIFO (Document Resources on HHM Academy)
  13. UCWD (Document Resources on HHM Academy)
  14. ROU Lease (Document Resources on HHM Academy)
  15. Chargeback Reserve (Document Resources on HHM Academy)
  16. AJE Reconciliation of changes to net income- This is done on the AJE report in the 30 section of the binder.
  17. Client Deliverables should go in the 15 section of the binder. This includes Lease Calculations, Chargeback Reserve Calculation (if the client posts on books), UCWDs, Book Asset Detail, AJEs, Client TB, and the LIFO Calculation.
  18. Excel Financials (complete in the following order): It is recommended to use the dealership (new) groupings. The numbers should be TB linked and tie to the working trail balance.
    - a. SG&A Expenses
    - b. Income Statement
    - c. Change in Equity
    - d. Balance Sheets
    - e. Statement of Cash flow
  19. Word Financials- TB link values to the word financial statements. Values on the word financials should foot and tie exactly to the excel financial statements.
  20. PRINT THE FINANCIALS AND SELF REVIEW- Make sure prior year numbers on comparative financial statements are correct.

### **How to Setup and Complete the Analytics Workpaper:**

1. Make sure the most up-to-date analytics worksheet is used; the worksheet is updated annually. The analytics worksheet can be found at the following path in the S-Drive:  
S:\HHM\HHM Niches\Dealership Services\DSG - Analytical Review
2. Update the 'Engagement Links' Tab
  - a. Update Trial Balance, Company Code and Grouping List on rows 3-5
  - b. Update the Group and Descriptions on Column B, C & D
3. Update the 'A1- Final to Prior' Tab
  - a. Update the Grouping Assignment in column B. This will correspond to the Group on column C on the 'Engagement Links' tab.
  - b. MAKE SURE NET INCOME TIES ONCE LINKS ARE UPDATED
  - c. Update Materiality, Manufacturer and Expected percentage change in rows 2-7. The expected percentage change in sales can be found in the Haig Report.
  - d. Input unit sales and units in ending inventory from the DFS on rows 15-22.
  - e. Input Doc Fees and employee count in rows 27-30.
4. Inquire about the items that have a highlighted 'Review' comment in column Q. Also pay special attention to the following items:
  - a. Large Balance Changes YOY
  - b. Abnormal % of Gross Profit
5. List out responses on column S labeled 'Comments'. Every line with a highlighted 'Review' comment should have a response listed.
6. Put a PDF copy of the client responses in the binder.
7. Add the Haig Report and/ or General Considerations Memo in the 43 section for reference. There will be a new memo issued every year, so make sure the most recent report is included in the binder.

## **Sample Request List**

### Balance Sheet:

1. Could you provide a copy of the **12/31/24 bank statements and reconciliations** for the following accounts:
  - a. 202000 CASH IN BANK-PINNACLE Totals:
  - b. 202100 CASH IN BANK-TRUIST Totals:
2. 202300 Cash IN BANK- BOA Totals: There is an aged deposit on the bank statement for \$250,000 going back to 2023, could you help me understand what is going on with this?
3. 210200 A/R WHOLESALE USED VEHICLES: Control P79229 for \$38,000 is aged 272 days. Does this need to be written off/ reserved?
4. Could you provide a copy of the most recent physical parts count and the 12/31 parts pad reconciliation?
5. Could you provide detail for all asset additions and disposals?
6. There is \$135,000 in Construction in Process, can you confirm that this has not been placed into service in 2024?
7. 341100 A/P: Control #148 has a debit balance of \$700,000. What is this and does it need to be adjusted?
8. Could you provide the December sales tax return?
9. Could you provide the 12/31 floorplan statement and reconciliation?
10. Could you provide schedules for the following accounts:
  - a. 10300 CONTRACTS IN TRANSIT
  - b. 15600 PREPAID OTHER
  - c. 24260 ACCRUED ADVERTISING

### Analytics & Other Questions:

11. How many employees did you have at year end?
12. What are the Doc fees per vehicle?
13. How much is paid monthly for management fees?
14. New vehicle sales increased by over \$10m. What caused this large jump in sales?
15. Other Income dropped by over \$1m. What caused the decrease in this account?
16. What is the monthly rent expense?
17. The days' supply of new inventory is higher than expected. Why are the days' supply so high?
18. The following expenses are higher than expected in 2024. Can you help me understand the reason for this increase?
  - a. Data processing expense
  - b. Salaries & Wages expense
  - c. Policy expense
19. Could you provide your W3?
20. Any nondeductible dues?

## **Appendix A**

1. Materiality: The overall threshold for misstatements on the financial statements as a whole
2. Tolerable Misstatement: The amount of misstatement in an individual account balance or class of transactions that the auditor is willing to accept without concluding that the account is materially misstated.
3. ISI (Individually Significant Items): Items that are individually large or risky enough that they warrant separate consideration, regardless of whether they exceed materiality.
4. Trivial: A threshold below which misstatements are considered too small to be of concern, even cumulatively.
5. Knowledge Coach: An engagement tool that guides users through planning and documentation using dynamic checklists and linked workpapers. It tailors procedures based on engagement responses, promoting consistency, efficiency, and compliance with professional standards. A Knowledge Coach license is required to complete these workpapers, reach out to IT to obtain a license if you do not already have one.
6. AJE - Adjusting Journal Entry: Corrects the balance of an account with a change to net income
7. RJE - Reclassifying Journal Entry: Moves a balance from one account to another with no change to net income.
8. PAJE - Proposed Adjusting Journal Entry: An unposted journal entry to suggest a correction for a potential error. PAJEs do not impact account balances.
9. DFS - Dealer Financial Statement: A monthly financial statement dealers are required to submit to their OEM; typically includes a balance sheet, income statement, and performance by department
10. OEM – Original Equipment Manufacturer: The automaker the dealer is associated with (i.e. Ford, Chevy, BMW, etc.)