

# A FINER FOCUS



Welch & Company LLP  
Lévesque Marchand, Chartered Accountants

## *Automotive Dealers*

*Year End  
Accounting Requirements*

**February '07**

*The following list of items should be provided to your external accountants upon their arrival at your premises. This will allow them to complete their work in a timely manner and with the least amount of disruption to you and your staff.*

### **General**

- A year end trial balance.
- a printout of all year end schedules and working papers.
- journal entries, cheque register and deposit journal for the month following year end.
- ensure all clearing accounts are cleared prior to closing year end.
- ensure that all account balances are accurate (i.e. WIP, paint inventory, oil and grease inventory, and vacation pay payable, etc.) and adjusted prior to closing at year end if necessary.

### **Bank**

- bank reconciliation for year end. Reconciling items should be posted prior to year end before the month is closed. Therefore reconciling items on the bank reconciliation should be minimal and not relate to prior months.
- list of outstanding cheques, noting all details (i.e. payee, date, and cheque number).
- Bank statement and cancelled cheques for month following year end.
- detailed makeup of balances in cash clearing and credit card clearing accounts including why they arose and how they will be settled.

### **Accounts Receivable**

- list of trade receivables reconciled to the general ledger account balances
- list of all trade accounts receivable over 90 days old with suitable notations beside each account to justify claiming an allowance for doubtful accounts against them. Also indicate what action you are taking to collect the accounts.
- list of all insurance accounts receivable over 60 days old and the action you are taking to collect these accounts.
- list of all warranty receivables over 60 days old, noting whether any allowances are required for these items.
- list of all factory claims receivable, co-op advertising credits receivable and similar receivables ensuring accruals for year end are set up. Also include a list of the items over 60 days old, noting whether any allowances are required for these items.

### **Inventory**

- list of all inventory items reconciled to the general ledger account balances
- ensure management has carried out a count of parts and vehicles at or near year end.
- list of all used vehicle inventories with the corresponding value from the Black Book for each vehicle. Please keep the Black Book with the inventory list.
- note the Black Book status of any vehicle not considered average on order to assess if a further writedown is required. Also note the selling price received for any vehicle sold after year end.



## ***Inventory*** (cont'd from pg.1)

- schedules for new vehicles with explanations for any vehicles not financed or any financing amounts with no vehicles.
- details of past model allowance or other receipts from factory for prior year models
- list of writedowns required for prior year model vehicles
- garage register to support dates vehicles were received. a reasonable amount of depreciation on demos should be recorded and a list of demos at year end and the amount of depreciation recorded on each should be provided.
- expense all routine office supplies inventories at year end.
- reconciliation between parts department list prepared after inventory count to the general ledger at the count date. Include a printout of the general ledger balance and the after inventory parts list from the parts department as well as copies of any invoices for reconciling items.
- an aged parts list to establish writedown required for obsolescence.  
ensure all other inventories, gas, oil, grease, tires, work in process, etc. agree to the count sheets or subledgers where applicable and are correctly stated in the books.

## ***Prepays***

- detailed makeup of balances in prepaid accounts.
- ensure periodic operating expenditures are not set up in prepaid expenses.

## ***Property and equipment***

- schedules of all transactions through the property and equipment accounts with copies of invoices for assets purchased
- details of any major construction or renovations during the year and notations of how these transactions have been recorded in the general ledger.

## ***Payables***

- accounts payable reconciliation between the balance in the accounts payable subledger to the amount owing per the manufacturer's statement at year end.
- accounts payable reconciliations for any amounts owing to related parties in the accounts payable subledger to supplier statements.
- ensure that all government liability accounts (employee source deductions, PST, GST, EHT, WSIB, etc.) agree to the next month's remittance and/or return and provide copies of same.

- copy of last payroll for the year showing vacation pay owing and any accrued pay. These amounts should agree to the amounts recorded in the general ledger.

## ***Accrued Liabilities***

- detailed makeup of any accrued miscellaneous accounts.
- list of the following accrued liabilities and note if they have been accrued in the accounts or whether they must yet be recorded :
  - wages, salaries, vacation pay, commissions and bonuses
  - rents
  - group insurance
  - pension plans
  - employee income tax deductions
  - professional fees
  - interest on lien notes, bank indebtedness, etc.
  - capital tax
  - advertising
  - workers' compensation

## ***Wholesale Finance Liability***

- the wholesale finance liability general ledger account balance should be reconciled to the bank statement balance on a monthly basis and all reconciling items should indicate when they were recorded by the bank.

## ***Shareholder/director accounts***

- a detailed listing of all transactions through the shareholder/director accounts. This listing should be approved in writing by the shareholder/director.

## ***Retained Earnings***

- all prior year adjustments should have been posted to the books so that the closing retained earnings from the prior year's financial statements equals the balance in the general ledger account.

## ***Income Statement Accounts***

- a preliminary analysis should be made available outlining the reasons for significant changes in any income statement account classification (for example, sales, cost of sales, wages, advertising, etc.) from that of the prior year.
- schedule or rent expense, interest expense, sundry income.
- salary expense reconciled to T4 summary.