



How a Strong Month-End Close Drives Dealership Financial Success



Erika Gagne, CPA
Albin, Randall & Bennett, CPAs

Running an auto dealership means coordinating several interconnected departments — sales, parts, service, and financing — all moving at high speed. Without a solid month-end close, it's easy for financial accuracy to skid off course. A disciplined close process keeps your numbers reliable, your team accountable, and your dealership positioned for year-end success.

The Importance of a Disciplined Month-End Close

A clean and timely month-end close is the foundation of dealership financial management. Management decisions, factory reporting, and lender relationships all rely on accurate numbers. When accounts are reconciled and each department's performance is captured correctly, leadership can act confidently.

Regular reconciliations also prevent costly surprises. Small discrepancies that go unchecked can snowball into major accounting issues, or worse, missed opportunities. Just as importantly, strong month-end habits reduce the chaos of year-end audits and tax preparation. A dealership that closes well every month closes the year with less stress, fewer adjustments, and better results.

IN THIS ISSUE

Smarter Systems. Stronger Results. A Practical Look at Software for Dealerships

GAAP Accounting for F&I Products: Revenue Recognition and Chargeback Reserves

Core Month-End Close Procedures

Reconciling the Balance Sheet – Start by confirming that all cash accounts, including F&I reserves and manufacturer incentive accounts, are reconciled. Review receivable schedules against the general ledger and evaluate aged customer and warranty receivables for collectability. Match vehicle inventory subledgers to physical counts in your DMS and ensure used vehicle valuations make sense.

Payables require equal attention: confirm invoices, floorplan payoffs, and trades are fully recorded. Don't forget payroll and accruals by verifying that commissions and bonuses are complete and properly timed.

Reviewing the Income Statement – Each department's gross profit should be compared to prior months and budget expectations. If something looks off in new, used, parts, or service, investigate early. Align factory incentives with the period when revenue was earned and double-check that prepaid expenses or allocations haven't been spread incorrectly across months.

Schedule Review and Clean-Up – Identify stale or unexplained balances and use exception reports to flag issues requiring attention. Intercompany and dealer group balances should be reviewed regularly to ensure they're cleared and properly recorded.

Documentation and Sign-Off – Every dealership accounting team should maintain a month-end checklist with preparer and reviewer sign-offs to ensure accountability and maintain audit readiness. Storing supporting documents electronically is a simple way to keep records organized and accessible when questions arise.

Leveraging Tools and Technology

A structured checklist remains one of the most effective tools for month-end accuracy. Assign tasks to multiple roles to create built-in review points. Most Dealer Management Systems, such as CDK, Reynolds, or Dealertrack, offer automated reports that simplify reconciliations and reduce manual errors.

Consider integrating accounting automation tools or AI-based reconciliation software to handle recurring entries and flag anomalies. Dashboards can also help track close status across departments, ensuring visibility and accountability throughout the process.

Preparing for Year-End

Conduct a “Pre-Year-End” Close – Treat November as a trial run for year-end. Address any lingering issues, clean up suspense and clearing accounts, and confirm balances with manufacturers, especially floorplan, warranty, and rebate accounts.

Align with External Parties – Coordinate early with your CPA or auditor to clarify expectations and deadlines. Review fixed asset additions and disposals, confirm depreciation schedules, and verify inventory valuations, including LIFO if applicable.

Analyze Year-End Adjustments – Check that all prepaid expenses, accruals, and bonuses are captured. Review warranty liability estimates and deferred income accounts to ensure accurate reporting.

Justin Burchill, CPA
Brady Martz

Smarter Systems. Stronger Results. A Practical Look at Software for Dealerships

Running a dealership today means managing tight margins, inventory swings, staffing gaps, and customers who expect fast answers. Many stores already feel the strain. When systems don't talk to each other or rely too heavily on manual steps, the pressure builds. We have seen the same pattern in larger industry challenges like supply chain delays. Dealers who stay ahead are the ones with strong visibility and clear communication across the business.

Software alone won't fix every operational headache, but the right tools can cut out unnecessary work and give leaders better

Understanding and Managing “13th Month” Entries

Many dealerships post final year-end adjustments after December close, often referred to as “13th month” entries. These adjustments are not for factory reporting but help finalize financial statements for audit and tax purposes.

Best practices include:

- Clearly labeling and dating all “13th month” entries in the accounting system.
- Maintaining a separate journal or accounting period for these adjustments.
- Restricting access to authorized accounting or controller staff.
- Documenting all support and communicating with your CPA before posting.

Handled properly, these entries fine-tune financial accuracy without disrupting factory or internal reporting.

Common Pitfalls

Some of the most frequent dealership accounting issues stem from overreliance on DMS balances without reconciling to the general ledger. Others include failing to record F&I chargebacks, overlooking small balances that carry forward month after month, or leaving accounting periods open for late changes. Locking each period immediately after close, once reviewed, prevents unapproved adjustments and strengthens internal control.

The Road Ahead

A well-executed month-end close is more than a back-office task — it's a strategic discipline that keeps your dealership financially healthy and audit-ready. By reconciling consistently, reviewing thoroughly, and leveraging technology wisely, you can turn a tedious process into a competitive advantage. To start audit-proofing your dealership, treat every month-end close like a mini year-end. To discuss implementation of effective month end closing procedures, contact your **AutoCPAGroup** member. ¶

information. That combination goes a long way in a fast-moving dealership environment.

Focus on Efficiency Where It Slows You Down

It is common for dealerships to use separate tools for accounting, sales, service scheduling, payroll, or CRM activity. The result is extra steps, duplicate data, and more chances for mistakes. Integrated software simplifies the routine tasks so your team can spend more time with customers and less time chasing paperwork.

This is especially important in areas that require clean documentation. Software that standardizes workflows and prompts users for required steps protects the bottom line and keeps deals moving.

Improve How Departments Share Information

Communication is one of the biggest operational challenges for dealerships. When sales, service, and accounting work in separate systems, information moves slowly and problems take longer to solve. Centralized software helps everyone work from the same source of truth. That creates clearer handoffs, faster answers, and fewer frustrations inside the building.

It also strengthens the customer experience. Buyers expect a smooth process from online research to an in-person visit. Dealers who support this flow with digital tools and organized data build trust and close deals more quickly.

Use Real-Time Data to Make Better Decisions

Dealerships operate on fast cycles. If you are working with outdated numbers, it becomes harder to adjust inventory, staffing, or pricing. Modern software gives leadership the ability to monitor performance in real time. Trends become easier to spot, and issues surface before they turn into larger financial problems.

GAAP Accounting for F&I Products: Revenue Recognition and Chargeback Reserves

Revenue recognition of Finance & Insurance (F&I) products is a critical area for auto dealerships, especially with the guidance provided by ASC 606, "Revenue from Contracts with Customers." Dealerships routinely sell a variety of F&I products — such as extended warranties, GAP insurance, and maintenance plans — when they sell vehicles. Under ASC 606, the timing and amount of revenue recognized from these products depends on whether the dealership is acting as a principal or an agent. When a dealership sells a third-party F&I product, it typically acts as an agent. In these cases, the dealership recognizes only the commission it earns as revenue, and does so at the point of sale, since its performance obligation is satisfied once the contract is executed.

However, the accounting for chargebacks related to F&I products is often overlooked. Chargebacks happen when a customer cancels an F&I product before the end of its term, which can occur if the customer pays off their loan early or trades in their vehicle. When this happens, the dealership may have to repay a portion of the commission it previously recognized as revenue. ASC 606 requires that revenue be recognized only to the extent that it is probable a significant reversal will not occur. This means dealerships must estimate the likelihood and amount of future

This aligns with what we recommend during times of industry uncertainty. Dealers benefit from scenario planning, financial reviews, and stress testing. Clear, current data supports those conversations and leads to stronger decisions.

Better information also helps you plan for the long term. Whether you are assessing service capacity, reviewing incentives, or preparing for the next fiscal year, clean reporting allows you to steer the business with confidence.

Conclusion

Upgrading dealership software is not about chasing technology. It is about creating smoother operations, better communication, and stronger financial control. With inventory volatility, staffing challenges, and rising expectations from customers, having systems that support your team makes a meaningful difference.

If you would like to talk about whether your current processes are helping or holding you back, please visit with your **AutoCPAGroup** advisor. ¶

Kyle Robbins, CPA
Larson & Company

chargebacks and record a chargeback reserve at the time revenue is initially recognized.

The chargeback reserve affects contra-revenue and liability accounts, offsetting recognized commission revenue by the amount expected to be repaid in the future. To set an appropriate reserve, dealerships need to analyze their historical chargeback rates and consider any current trends that might affect future cancellations. As actual chargebacks occur, the reserve is adjusted, and any differences between estimated and actual chargebacks are reflected in the financial statements as changes in the estimate.

For dealership finance teams, it's essential to review how the chargeback reserve is calculated and ensure the assumptions are reasonable and well-supported. Good documentation and clear disclosures about the reserve and the estimates behind it are also key to meeting financial reporting requirements. By paying close attention to both revenue recognition and the chargeback reserve, dealerships can present a more accurate picture of their financial performance and avoid surprises down the road. For additional guidance, contact your **AutoCPAGroup** member. ¶

Advisory Board of CPAs

Steven Bunch
Sorren CPAs, P.C.
St. Petersburg, FL

Justin Burchill
Brady Martz and Assoc., P.C.
Grand Forks, ND

Megan Condon
BDO USA, LLP
Seattle, WA

Joe Cutillo
Joe Cutillo, CPA
Tampa, FL

Jay Goldman
Boyer & Ritter, LLC
Harrisburg, PA

Ken Gordon
Weisberg, Molé, Krantz & Goldfarb, LLP
Woodbury, NY

Gerry Green
Brady Martz and Assoc., P.C.
Denton, TX

Barton Haag
Albin, Randall & Bennett, CPAs
Portland, ME

Susan Harwood
Hulsey, Harwood & Sheridan, LLC
Monroe, LA

Carl Jensen
Larson & Company
Salt Lake City, UT

Greg Porter
Porter & Company, P.C.
Greensboro, NC

Tasha R. Sinclair
Tetrick & Bartlett, PLLC
Clarksburg, WV

Scott Womack
LBMC, PC
Brentwood, TN

Scott Woodward
Woodward & Associates, Inc.
Bloomington, IL

Wayne Zimmerman
Pomares & Co., LLP
Sacramento, CA

For assistance, please call 1-800-4AUTOCPA or visit our website at www.autocpa.com. Headlights is prepared by the AutoCPAGroup for the clients of its members. We are required by IRS Circular 230 to inform you that the advice contained herein (including all attachments) is not intended or written to be used for the purpose of avoiding any penalties that may be imposed under federal tax law and cannot be used by you or any other taxpayer for the purpose of avoiding such penalties.

©2026 Headlights