



2025 Formulas. Definitions. Guides.

ITEM	FORMULA DEFINITION	NOTE
Asset Utilization	Annualized total dealership sales ÷ total assets less land and buildings.	Minimum Ratio: 6 to 1
Cash Days' Supply	Cash, contracts in transit, marketable securities and vehicle receivables ÷ average month total dealership expenses + technicians' cost of labor × 30 days.	Guide: Minimum 30 days (90 days recommended)
Cash in Bank	Amount equal to a minimum of one month's average total dealership expenses + technician cost of labor.	Guide: Minimum 1 month (3 months recommended)
Current Ratio (current assets to current liabilities)	Total current assets + LIFO (if included in current assets) ÷ total current liabilities. Defined as "the ability to pay bills."	Ratio: 1.5 to 2+
Debt to Equity	Total liabilities ÷ equity (net worth) + 60% of LIFO balances. The higher the number the lower the corporation's borrowing power.	Ratio: 3 to 1 or less
Frozen Capital	Cash tied up in aged and/or excess receivables and inventories (based on guide).	
Inventory Trust Position	Inventory of new vehicles + demos + holdback receivable (if applicable) minus notes payable on new and demo units.	Positive or zero inventory trust position balance
LIFO (Last In, First Out)	A tax-deferral strategy of inventory valuation.	
Net Profit Return on Sales	Total dealership net profit ÷ total dealership sales.	Guide: 3.25%
Net Profit Return on Assets	Return % sufficient to justify operations. Annualized profits ÷ total assets (+ LIFO if recorded on asset side of financial statement).	Guide: 15%-20%
Net Worth	The sum of stock value, additional paid in capital, retained earnings and year-to-date dealership net profit minus dividends and/or drawings.	Note: LIFO dealers add 60% of LIFO reserve
New Vehicle Dept. Breakeven Point (in units)	Total new-vehicle department expenses ÷ average gross profit per new vehicle retailed (PNVR).	
Parts Obsolescence	Parts inventory aged over 12 months with no demand.	Guide: Less than 5% of total inventory
Return on Equity	Measures how effectively a dealership uses its capital to generate profits. Annualized total dealership net profit ÷ net worth/owner equity + 60% LIFO reserve.	Guide: 25%-30%
Service Department Proficiency	Technician hours produced within the total technician hours available. Formula: Hours produced ÷ hours available. Example 48 ÷ 40 = 120%.	Guide: 120%-125% Minimum acceptable: 100%

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Service Sales Potential and Retention	5-, 7- or 10-year* owner base (new vehicle units in operation for a given brand and market area of responsibility) x 7-8 hours per year x O.E.L.R.	Guide: 50% minimum (national average is 35%) *(manufacturer specifies number of years)
Total Absorption	Total used-vehicle, service, parts and body shop gross profit ÷ total dealership expense. This equals the % absorbed by these departments.	Guide: 100%
Fixed Absorption	Total fixed gross profit ÷ total dealer expense.	Guide: 60%
Units in Operation	Number of franchise brand vehicles in operation in a given market area that are 5-, 7-, of 10-year* old model or older.	*(Manufacturer specifies number of years)
Used-Vehicles Days' Supply in Dollars	Used-vehicle inventory dollar amount ÷ used-vehicle cost of sale (average month) x numbers of working days per month.	Guide: 30 days, 12 turns per year
Used-Vehicles Days' Supply in Units	Number of used vehicles in inventory ÷ average number of used vehicles sold per month x number of working days per month.	Guide: 30 days, 12 turns per year
Variable Expense	Expenses that change with unit sales volume: salesperson commissions, delivery expense and policy expense.	
Working Capital	Total current assets (+ LIFO reserve, if recorded in asset portion of financial statement) minus total current liabilities.	



SALES DEPARTMENT

Sales Personnel

New- and/or Used-Vehicle Department12-15 units per month

Inventory

Used- to New-Retail Ratio1.25-1
Days' Supply (Units) & Turn Rate
New Vehicle Inventory45 days (8 turns per year)
Used-Vehicle Inventory30 days (12 turns per year)
No Used Units Over60 days
Reconditioning Turnaround Time3 days

SERVICE DEPARTMENT

Service Personnel

Tech-to-Support Personnel Ratio1.5:1
Service Productivity
Tech Proficiency125%
Tech Productivity87.5%
Hours per RO
Excluding Quick Lane2-2.5 retail
Including Quick Lane1.5-1.7 retail
Stall Utilization75% minimum

Gross Profit

Gross Retention Customer Labor78%+
Gross Retention Internal Labor78%+
Gross Retention Warranty Labor78%+

Total Service Department Gross % Sales72%+
(including sublet, shop supplies and after unapplied time)

Receivables Aging

Service & Parts Customer Receivables
0-30 Days90%
31-60 Days10%

PARTS DEPARTMENT

Parts Personnel

Parts Sales per Parts Employee
Domestic\$70,000+
Import Non-Luxury\$70,000+
Import Luxury\$85,000+
(excessive staff reductions cause artificially high performance)
Parts Gross per Parts Employee
Domestic\$28,000+
Import Non-Luxury\$28,000+
Import Luxury\$34,000+
(OEM "unit replacement" increases sales, reduces gross)
Parts-to-Labor Ratio1:1
(not a guide due to regional nature of labor rates)

Inventory

Turnover (Turn)8 per year
Inventory Profile — Sales Movement Range
0-6 Months85% of inventory
6-12 Months10%-15% of inventory
12 Months and older<5% of inventory

Parts Inventory Guides

Months' Supply1.5
Fill Rate: First Time (off the shelf)90%
Fill Rate: Same-Day (pick-up)95%
Active/Normal Status75%
(based on DMS summary, not found on statement)

Gross Profit

Parts Gross % Sales40%
(lower if high-wholesale volume)
Warranty Receivables25% of current month parts & labor sales

BODY SHOP

Body Shop Personnel

Technician Efficiency
Apprentice100%
Journeyman150%
Master200%

Gross Profit

Total Body Shop % Sales55%+
Labor65%
Parts30%-35%
Paint & Material40%