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**ADVISORY**

# 4 Keys to Providing Accounting Services to Auto Repair Clients

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**Stacy Kildal** • Mar. 15, 2019



One of my favorite types of businesses to work with, as a bookkeeper, are auto repair shops. Since the first client of [Kildal Services](#) was a repair shop – and actually still IS a client – I have a special place in my nerdy accounting heart for them. It's been so rewarding to go from picking out the first computer he bought for the shop and helping him choose a credit card processor to helping him opening a second location, develop a profit sharing program and get financing to purchase a building for a possible third.

We do all the day to day bookkeeping tasks for him: move sales from his shop software to his accounting program, all of his accounts payables, process payroll, assist in sales and payroll tax compliance and work with his tax preparer at year end. Heck, I've even stopped to pick up parts and once bought him a printer on my way out to his shop!

This is a fantastic industry to focus on – none of the shop owners I know want *anything* to do with the books, and there are plenty of them that can use our help. I think there are a few key areas where I accounting professionals can take on that coveted advisory role, and we'll go over them here.

## Inventory

To track or not to track? About  $\frac{2}{3}$  of the shops we work with are small (they average 2 bays per shop) so holding inventory isn't really an options because they don't have the physical space to store it so they don't track quantity on hand. Most of shops that are larger and *do* have the space have chosen not to track inventory as well – they expense out most of the stuff that they use on a regular basis: filters, clamps, hose, etc. Almost everything else is ordered from their part suppliers and can be delivered same or next day.

About a third of our shops to track inventory and are divided into two types: The first are larger shops with 5+ bays and have a higher volume of vehicles coming through and room to store parts, so they order larger quantities to get better pricing and want to keep track to manage cost and reorder points. The second is the specialty shops that work on performance/racing, foreign or off road vehicles (ie: dune buggies – we have [big sand dunes](#) here in Michigan.) The parts have a longer lead time, can be harder to find, and cost more, so tracking quantity on hand is a necessity.

## Software

Making sure the shop has the right shop management tool for them. One of my shops only uses QuickBooks Online. He's a one man band with a small garage with one hoist and at the moment, he doesn't need the bells and whistles that a full blown shop management solution will offer. It's easy to know where he is with WIP when he can only get one vehicle in the shop at a time! Most auto repair shops are going to need something tailored to their industry.

Across the board, each of our clients using a shop management solution says these are must haves: national job guide database access, estimating, vehicle maintenance history, Technical Service Bulletins and parts ordering integration. Other things to look for are reporting (both for you and your client!) time tracking, scheduling and integration with accounting and marketing apps.

This is where a needs analysis is a great service to offer; meet with the owner and each employee to find out where their pain points are, then take that information to find a better software solution, or find ways to improve current processes to better use the software they have in place. I'm not going to make any specific software recommendations here, however I will say there is some shop software out there that I absolutely love, but the accounting integration for them is abysmal, so for a few clients we still – GASP! – manually enter sales summaries.

## Returns and Cores

Get them a system! For any parts that are wrong/defective, your shops will need to return them. Each **vendor** will have its own **process**, and once it's ready for return, you'll need a system in place for getting them back to the vendor. We suggest each supply house has a designated area; the techs include any paperwork required for the return, and they log it via a google form, then keep copies of the paperwork in a wall file above the vendor area. We can track everything against vendor bills or credits, the hard copies and google form at the end of the month.

You'll also have to deal with **cores** – they're similar to bottle deposits. You pay the store a deposit for the bottle, then get it back when you bring the bottle back. We set up a process similar to returns for cores, to make sure the shops are getting the correct core credit. Our google form is set up for the techs to choose whether they're adding a return or a core. Make sure you always get a receipt from the vendor, and remember that dealerships will (more often than not) have to be reminded to come pick them up. You'll want to verify the slips from the driver against the google form and any statements at month end.

# Trends

This is one of my favorite things to do for my shops – review trends. Our clients either access their own financial reports or have us send them on a set schedule, but at least once a quarter, I take a look at their financials and send them a quick analysis. We look for anomalies – why are parts costs so high compared to revenue? Is this normal for this time of year? Why, yes, it is – same thing happened this time last year: a government contract customer has open invoices and it's close to their fiscal year end. When do sales jump? Is school just getting out and customers are getting their cars ready for their summer road tript's easy to create a chart like the one below – you can see that this chart shows sales trends for one of our shops (I've omitted totals). Without even seeing the numbers, we can see there's a slight uptick in March when people get tax returns back, and again in May, before summer starts.

When it comes to auto repair shops, I think the most important thing to keep in mind is that you want to have access to the shop management solution. While setup and troubleshooting are a huge bonus, you need to at least be able extract reporting from it to verify hours, to reconcile credit card batches, and in the case of a now ex client, make sure that all of the cash being taken in is actually making it to the bank!

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Stacy Kildal is a bookkeeper and QuickBooks expert from Michigan. She likes snowmobiling, hiking, listening to Rush and discussing how cute her cats are with her husband and two kids.

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