

# Accounting and inventory management simplified for your eCommerce business

A TradeGecko Expert Series Webinar with Scott Scharf from Catching Clouds

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# Meet Scott Scharf

#### Scott Scharf

- Co-Founder of Catching Clouds
- eCommerce Consultant
- eCommerce Accounting Expert
- Cloud Accounting Expert
- Cloud Inventory Expert
- Speaker & Blogger

#### www.catchingclouds.net

@catchingclouds

info@catchingclouds.net

#### Catching Clouds

- Outsourced Accounting Department for eCommerce Businesses
- Daily Virtual Bookkeeping
- Monthly Virtual Controller Services
  - Detailed month end close
  - Financial Review
- Sales Tax Management
- Cloud Accounting <u>www.xero.com</u>
- Cloud Inventory Many

#### We Speak Ecommerce





#### tradegecko.com

# About TradeGecko

#### Enabling Effortless Commerce

#### Key features

- Inventory and order management
- Multi-channel sales
- Accounting integrations
- B2B eCommerce portal
- Sales app (coming soon)
- Multi warehouse
- Backordering

#### Integrates with other cloud platforms





#### Agenda



eCommerce Businesses Business Fundamentals eCommerce Accounting eCommerce Technology -Accounting Solutions Q&A







# eCommerce Businesses





#### eCommerce Business Owners

#### Benefits

- Entrepreneur Being your own boss
- Work where you are
- Own your destiny

#### Challenges

- Wearing many hats
- Business Owner finance, accounting, making decisions
- Product selecting, purchasing, listing products
- Marketing SEO, social media, e-mail marketing
- Operations inventory management, pick/pack/shipping





#### eCommerce Businesses

#### Types



Brand / Retail Arbitrage



B2C, B2B, or both



Single Channel / Multi-Channel



Retail, pop up stores, conferences



Marketplace or Shopping cart



Self fulfil, 3PL/Warehouse (Amazon FBA), Dropship







# **Business Fundamentals**





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#### **Business Fundamentals**

- Select business type LLC, Partnership, Sole Proprietor, S-Corp, C-Corp
- Register your business with the state
- Federal EIN IRS Tax ID
- Business Bank Account
- Business Insurance
- Register for sales tax license
- Accounting



Poll Question #1

# Is your business registered properly?







#### **Sales Tax**

Sales tax is a reality and responsibility for ALL ecommerce businesses

- Nexus defines where your business has a requirement to collect and file sales tax
  - Where your business has property (stored inventory), employees, sales reps (including travelling reps), and affiliates.
  - Note: Amazon FBA creates sales tax nexus in 18 states.
- Process
  - Register for a sales tax license
  - Configure shopping carts / marketplaces to collect sales tax
  - Track sales tax with tools <u>Taxify</u> & <u>TaxJar</u>
  - File returns and pay in sales tax monthly/quarterly
  - Note: keep track of these funds, it is not your money







# eCommerce Accounting





Poll Question #2

# How are you doing accounting now?







# Why Accounting?

- To understand how your business is doing financially
- To support decision making
- Know your numbers cash flow, profitability (per SKU), overhead
- Required to file sales tax and income taxes
- Note: Many profitable businesses go out of business because they don't know their numbers





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#### **Accounting Overview**







# **Accounting - Basics**

- General Ledger (<u>www.xero.com</u>)
  - Chart of Accounts
- Cash vs. Accrual accounting method
- Bank Accounts
- Income Statement
  - Profit & Loss
  - Balance Sheet
- Cash Flow
- Accounts Receivable
- Accounts Payable
- Cost of Goods Sold (COGS)
- Inventory Value







# **Accounting - eCommerce Specifics**

- Purchase Orders
- B2B Invoicing
  - Direct from cloud inventory Split Invoicing
  - B2B Portal
  - EDI direct integration to "trading partner"
- Inventory Methods
  - Weighted average cost
  - FIFO / LIFO
- Product Costing Set cost vs. Landed Cost
  - Purchase cost
  - Shipping
  - Other marketing, assembly, pick/pack, etc.





#### Accounting - Recording Information

- Every bank and merchant transaction
- Recording sales sales & shipping income, discounts, returns, sales tax
- Recording payments product purchases, shipping, overhead
- Recording Costs of Goods Sold
- Recording Inventory Value
- Saving ALL business documents Receipts, Invoices, Payments, business documents, etc.





### **Accounting - Tasks**

- Coding transactions
- Managing accounts receivable (for B2B businesses) collecting money
- Managing Accounts Payable paying bills
- Managing payroll
- Managing Sales Tax
- Reconciling accounts
- Managing documents attaching in accounting, filing
- Closing Books (monthly)





#### Accounting - Xero Reconciling

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Poll Question #3

# What accounting solution are you using?







#### Accounting - Profit & Loss Statement

- Income Statement Profit & Loss (P&L)
  - Revenue
  - Cost of Goods Sold
  - Gross Profit (total revenue cost of goods sold)
  - Operating Expenses
  - Net Profit

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#### Accounting - Balance Sheet

- Income Statement Balance Sheet
  - Assets Cash, Inventory, buildings, etc.
  - Liabilities Accounts Payable, sales tax, credit cards, loans
  - Total assets and liabilities

Balance Sheet	
Demo Company (US)	
As of June 1, 2015	
Assets	Jun 1, 2015
-Gurrent Assets	
Accounts Receivable	9,172.63
Total Current Assets	9,172.63
Fixed Assets	
Computer Equipment	(829.87
Office Equipment	3,628.91
Total Fixed Assets	2,799.04
Total Assets	11,971.67
Liabilities and Equity	
-Liabilities	
Current Liabilities	
Accounts Payable	10,291.84
Checking Account	4,946.33
Historical Adjustment	4,130.98
Sales Tax	2,655.38
Total Current Liabilities	22,024.53
Total Liabilities	22,024.53
Equity	
Current Year Earnings	(15,434.27)
Retained Earnings	5,381.41
Total Equity	(10,052.86
Total Liabilities and Equity	11,971.67



# Accounting - Analysis & Guidance

- Understanding how your business is doing financially
  - Accurate financials
  - Review P&L
  - Review cash flow
- Understanding your ecommerce business
  - Sales per channel
  - Profitability per sku
  - Product velocity
  - Look to your cloud inventory solution
- Resources
  - Book Financial Intelligence for Entrepreneurs





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# eCommerce Technology

Accounting Solutions





Poll Question #4

# What eCommerce technology solutions are you currently using?







#### Accounting - Technology - Cloud Accounting

#### Cloud Accounting (e.g. Xero) - Features

xero

- General ledger
- Direct integration with banks/ credit cards
- Invoices, bills, payroll, purchase orders, inventory\*
- Add ons payroll, expenses
- Ecommerce Integration
  - Cloud Inventory <u>TradeGecko</u>
  - Shopping cart/ marketplace <u>a2xaccounting</u>

#### Requirements

- Easy to use and automation
- Provides reporting





\*We do not recommend Xero inventory for ecommerce businesses

#### Accounting - Xero Dashboard

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		Oct 14		Dec 13	





# Accounting - Technology - Cloud Inventory

Cloud inventory is critical to every ecommerce business.

- Pushes inventory quantity up to multiple channels
- Integrates with their channels
- Integrates with their accounting solution
- Includes purchase orders
- Includes operations support for picking, packing, shipping
- Provides cost of goods sold and inventory value
- Provides detailed reporting to the business

https://www.xero.com/blog/2015/05/selecting-a-cloud-inventory-solution-for-an-ecommerce-business/





#### Accounting - Technology - Sales Tax Management

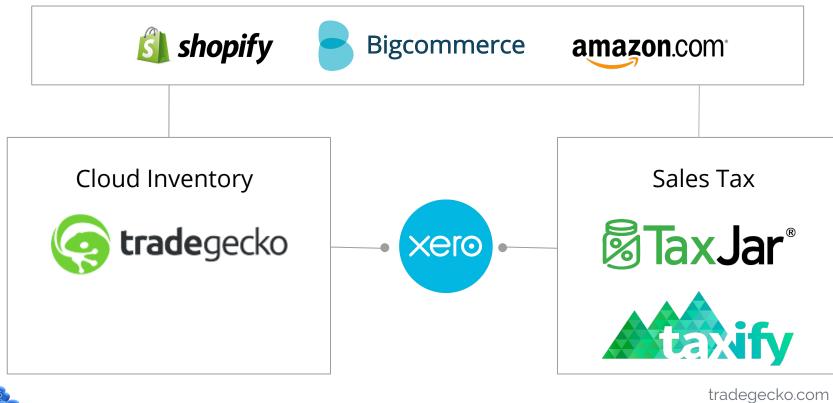
- Critical for eCommerce businesses
- Amazon FBA businesses can have Nexus in 16+ states
- Integrates with your online channels (Amazon.com, Shopify, etc.)
- Collects all the data
- Filing Automatic or manual filing







#### **Ecommerce Cloud Accounting Example**





### **Upcoming Webinar**

#### Date and Time

#### Topic

27th October, 10am (MDT)/ 12pm (EST)/ 9am (PDT)

# TradeGecko Expert Series: Set your eCommerce business up for success with a SaaS inventory management solution

Scott Scharf, Co-founder at Catching Clouds, an eCommerce Accounting Consulting Firm, takes you through a framework on how to select the right SaaS inventory management solution with key features that you should look out for. Learn how to get the best out of your SaaS solution to benefit your business and take it to the next level.

Register here





Resources

- <u>www.tradegecko.com/blog</u>
- <u>www.catchingclouds.net/blog</u>

Download handouts and slides from the GotoWebinar client and look out for the email with the recorded webinar in your inbox





