



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 - www.xero.com
- 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



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 - [Taxify](#) & [TaxJar](#)
 - 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



Accounting Overview



Recording
Information



Accounting
Tasks



Reporting



Analysis and
Guidance



Technology



Accounting - Basics

- General Ledger (www.xero.com)
 - 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

Foxglove Cafe Nathaniel Hornblower

Dashboard **Accounts** Payroll Reports Advisor Contacts Settings

Bank Accounts > **Checking Account** 132435465

CITY NATIONAL BANK Statement Balance **1,608.77** Balance in Xero **(4,946.33)** Oct 14, 2014 Reconciliation Report [Manage Account](#)

Reconcile (29) [Cash Coding](#) [Bank statements](#) [Account transactions](#)

Review your bank statement lines...

	Spent -	Received -
<input checked="" type="checkbox"/> Oct 7, 2014 Ridgeway University INV-0035 More		6,187.50
		Create rule
<input checked="" type="checkbox"/> Oct 7, 2014 Check 1236 More	1,181.25	
		Create rule
<input checked="" type="checkbox"/> Oct 7, 2014 SMART Agency 0192 0210 More	4,500.00	
		Create rule
<input checked="" type="checkbox"/> Oct 7, 2014 City Limousines 0017-Part More		100.00
		Create rule

...then match with your transactions in Xero

	Spent -	Received -
<input checked="" type="checkbox"/> 01 Oct 2014 Ridgeway University Ref: INV-0035		6,187.50
		Match Create Transfer Discuss Find & Match
<input checked="" type="checkbox"/> 08 Oct 2014 Payment: Truxton Property Management	1,181.25	
		Match Create Transfer Discuss Find & Match
<input type="checkbox"/> Name of the contact... What Choose the account... Why Enter a description... Region Tax Rate Add details		
<input checked="" type="checkbox"/> This is payment on a really old invoice so wasn't sure where to code it		Match Create Transfer Discuss Find & Match

Ctrl+S at any time to save



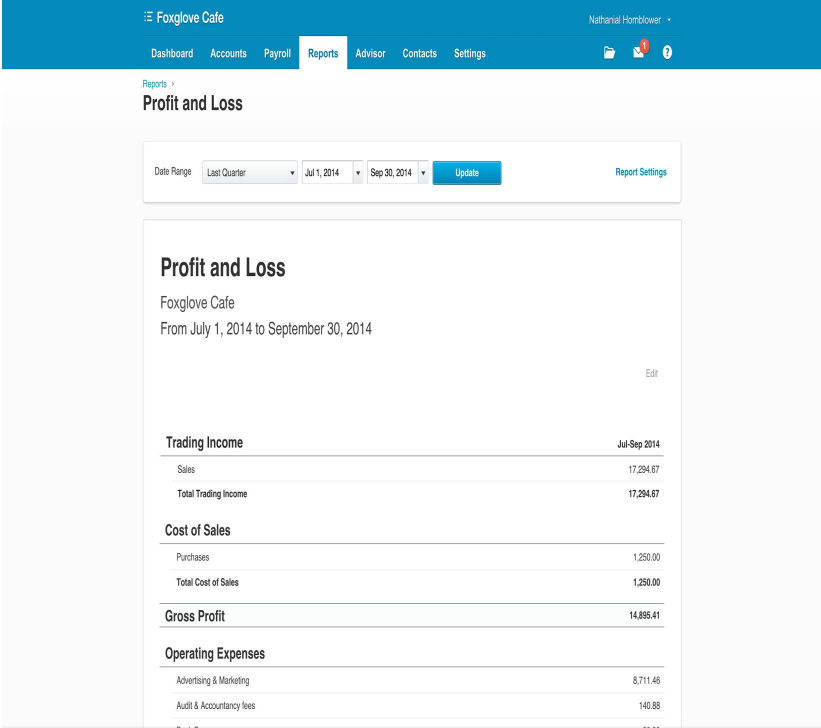
Poll Question #3

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



The screenshot shows a software interface for Foxglove Cafe. The top navigation bar includes 'Dashboard', 'Accounts', 'Payroll', 'Reports', 'Advisor', 'Contacts', and 'Settings'. The 'Reports' section is active, displaying the 'Profit and Loss' statement for the period from July 1, 2014, to September 30, 2014. The statement is titled 'Profit and Loss' and includes an 'Edit' link. The data is presented in a table format with the following sections:

Trading Income		Jul-Sep 2014
Sales		17,294.67
Total Trading Income		17,294.67
Cost of Sales		
Purchases		1,250.00
Total Cost of Sales		1,250.00
Gross Profit		14,895.41
Operating Expenses		
Advertising & Marketing		8,711.46
Audit & Accountancy fees		140.88

At the bottom of the interface, there are buttons for 'Save As' and 'Export'.

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
-Current 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





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

The Xero logo is a blue circle with the word "xero" in white lowercase letters.

- General ledger
- Direct integration with banks/ credit cards
- Invoices, bills, payroll, purchase orders, inventory*
- Add ons - payroll, expenses
- Ecommerce Integration
 - Cloud Inventory - [TradeGecko](#)
 - Shopping cart/ marketplace - [a2xaccounting](#)

Requirements

- Easy to use and automation
- Provides reporting

*We do not recommend Xero inventory for ecommerce businesses



Accounting - Xero Dashboard

☰ Foxglove Cafe
Nathaniel Hornblower ▾

Dashboard Accounts Payroll Reports Advisor Contacts Settings

Foxglove Cafe

Bank Accounts ⓘ
Go to Banking >

CITY NATIONAL BANK The way you bank
Checking Account
Manage Account ▾

Statement Balance
18,214.67
14 Oct 2014

Balance in Xero
11,659.57

Reconcile 28 Items

PayPal
Business Savings Account
Manage Account ▾

Statement Balance
(51.72)
15 Oct 2014

Reconciled

Account Watchlist ⓘ
Go to Chart of Accounts >

Account	Oct-14	YTD
Advertising (600)	0.00	10,453.75
Entertainment (620)	0.00	53.60
Sales (400)	7,654.10	29,250.85

Money Coming In ⓘ
Go to Sales >

Add Sales Invoice | Draft invoices (2) **1,100.00** | Overdue invoices (5) **6,978.08**

Money Going Out ⓘ
Go to Purchases >

Add Bill | Draft bills (0) **0.00** | Overdue bills (4) **4,692.56**

getgecko.com

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/>

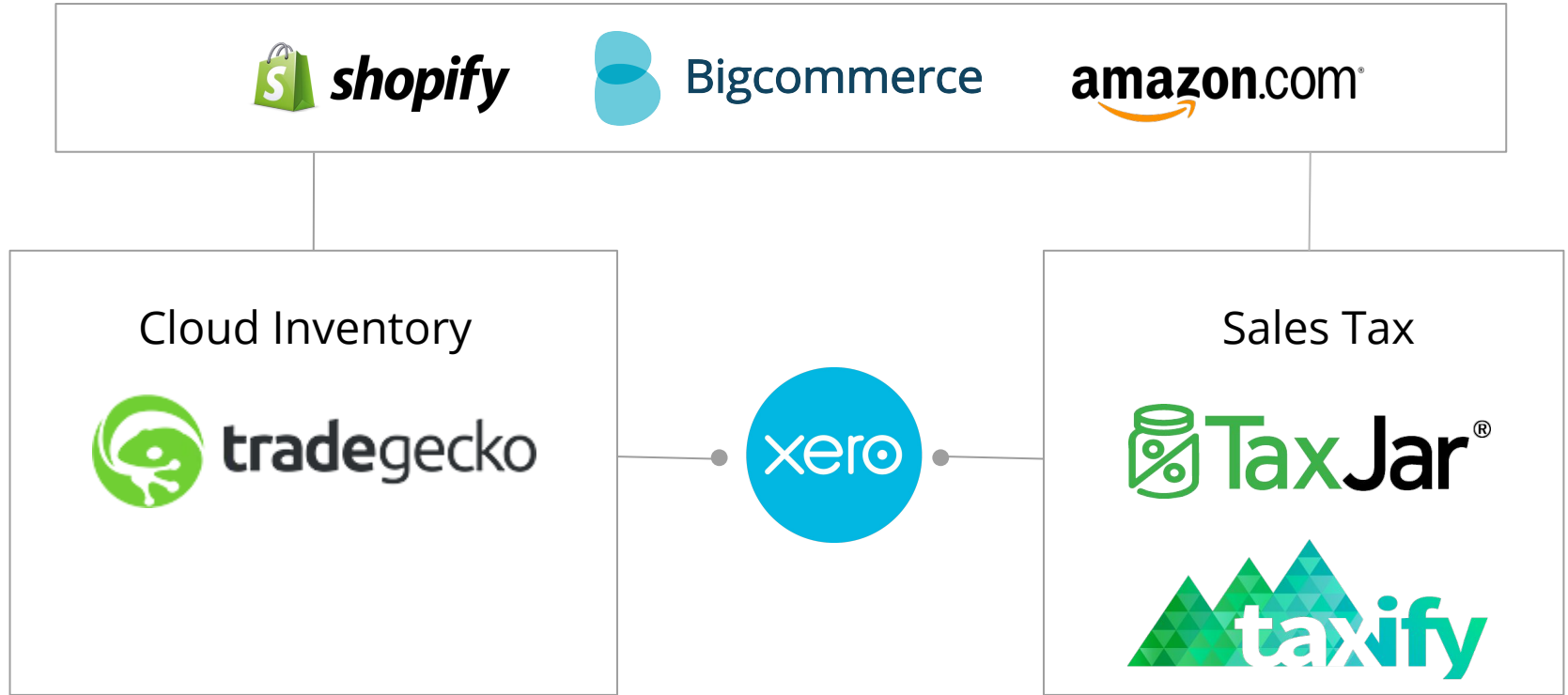


Accounting - Technology - Sales Tax Management

- 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

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

Topic

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](#)



Q&A

Resources

- www.tradegecko.com/blog
- www.catchingclouds.net/blog

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