Ecommerce accounting: All the things you need to know to pursue this as a niche

Brittany Brown, CPA
Today’s speaker

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CPE Process

In order to receive CPE credit
- Be sure to sign in or scan your badge for this session
- You must stay in the session for the duration of the training
- This session is eligible for 1 hour of CPE
- CPE certificates are emailed directly to you within 4 weeks of the conference date to the same email address you used to register
If you walk by my house and you hear me yelling, we don’t call it yelling. It’s motivational speaking for people that don’t want to listen
OCTOBER 2014
We gain our first client and I hire my first employee

MAY 2015
We work with our first ecommerce client

YEARLY REVENUE BENCHMARKS

OCTOBER 2016
Stephen leaves his job to be our full-time COO

$250K

June 2018
We focused in on our specialization of ecommerce

$1 Million
Niche Enables Everything

- new opportunities
- reputation as best
- unlimited revenue
- value billing
- understanding value created
- more niche clients
- marketing to a niche
- industry expertise
- fixed rate pricing
- understand costs
- scale processes
- learn less apps
- industry knowledge
- niche
- cloud

@DavidLeary

Hey @LedgerGuru here is the slide you wanted, #NicheEnablesEverything
#NicheAccountants #NicheBookkeepers #N nicheApps
More questions than answers

But clarity if it’s right for you and a clear roadmap
The ecommerce opportunity is clear
Why are they a good fit for outsourced accounting?

- They are already in the cloud
- They are super comfortable with outsourcing
- They grow fast and they’re smart.
- They’re incredibly entrepreneurial and tech savvy
What are the drawbacks to this niche?

You go head to head with other firms for every deal

Clients have short life spans

The technology changes constantly, no coast mode

Huge exposure and liability
Ecommerce accounting requires a fundamentally different approach.
# Shopify difference

<table>
<thead>
<tr>
<th>Shopify activity on a cash basis</th>
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<tbody>
<tr>
<td>Deposit from Shopify Pay</td>
<td>$76,700</td>
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<tr>
<td>Deposits from Paypal</td>
<td>$86,183</td>
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<tr>
<td>Deposits from Afterpay</td>
<td>$25,064</td>
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<tr>
<td>Deposits from Amazon Pay</td>
<td>$7,235</td>
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<tr>
<td><strong>Net Revenue</strong></td>
<td><strong>$195,182</strong></td>
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<table>
<thead>
<tr>
<th><strong>Shopify Sales with Good Data</strong></th>
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<tbody>
<tr>
<td>Shopify Sales</td>
<td>$354,995</td>
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<tr>
<td>Discounts</td>
<td>-$119,221</td>
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<td>Gift Cards Redeemed</td>
<td>-$15,540</td>
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<tr>
<td>Shipping Income Gathered</td>
<td>$7,718</td>
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<tr>
<td>Merchant Fees</td>
<td>-$8,308</td>
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<tr>
<td>Chargebacks/ Refunds</td>
<td>-$6,151</td>
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<tr>
<td><strong>Net Revenue</strong></td>
<td><strong>$213,493</strong></td>
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</table>

- **8 Activities reduced to 1 line**
- **Key Data Missed**
- **Product Margins skewed**
- **Misstatement of balance sheet activity**
- **9% Difference in revenue**

- This was paid through Shopify Pay, Paypal, Afterpay, and Amazon Pay
In the cloud

Technologically savvy

Marketing Savvy

Innovative and ready to adapt rapidly

Able to commit significant time and resources to figure it out
<table>
<thead>
<tr>
<th>Inventory/ COGS</th>
<th>Ecommerce Channel Activity</th>
<th>Sales Tax</th>
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<tbody>
<tr>
<td><img src="image1.png" alt="Inventory/ COGS" /></td>
<td><img src="image2.png" alt="Ecommerce Channel Activity" /></td>
<td><img src="image3.png" alt="Sales Tax" /></td>
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</table>
It took us several years to feel like we had a competent solution for all of those AFTER we decided to specialize
Ecommerce complexities
Online platforms - Marketplaces

- Amazon
- eBay
- Etsy
- Jet
- Houzz
Online platforms – Shopping carts/ company websites

- BIGCOMMERCE
- shopify
- WOO COMMERCE
- Magento
### Platform Competency Matrix

<table>
<thead>
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<th>Platform</th>
<th>Client A</th>
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The big players

Amazon

Shopify
The situation with

amazon
Amazon processes

Automate it:

Use a2x

• Summarizes all the activity
• Ties it out to the bank deposit
• Handles COGS as well
• New Shopify feature (more on that later)
• HUGE time saver
• You could handle all Amazon with this tool alone

Do it manually:

Use back end Amazon reports

• Tough but not impossible
• Seth David has a resource that teaches you how to do this
• COGS calculation is a separate step
Sales Channels

Payment Processors

Bank Account for Deposit
Shopify processes

1. Summarize channel level activity from Shopify pay-out reports
   - Total sales, discounts, Shipping, Sales Tax collected

2. Sort out by payment processor

3. Reconcile payment processor activity to deposits
   - Processing Fees, Chargebacks/ Refunds

4. Reconcile receivables from channels

5. a2x
Inventory complexities

- Reseller
- Manufacturing Their Own Product
- Outsourced Manufacturing
- In-House
- Using a 3PL
- Combination Approach

Inventory Quantity Available

Selling Channels
Store Front

Sales Channel Reports
Settlement Reconciliation

Sales Tax
Activity Reporting
COGS
Inventory Value

#QBConnect @brittbrown80 @ledgergurus
What should we track with inventory?

Operations Tracks QUALITY

Accounting Tracks VALUE
Inventory Tools

Things to Consider:
1. Do they need it to be an inventory master?
2. Are they manufacturing?
3. Do they need it for warehousing and fulfillment?
4. Can the data be validated?
Find an inventory consultant!

Lance Brandow
Brandow Consulting
Lance@brandowconsulting.com
(844) 839-4949
Inventory Terms to know

• Landed Costs versus Buy Costs
• FBA and FBM
• 3PL
• Product cost catalog
• LIFO, FIFO, Average Cost
Sales Tax: A few brief points

1. Nexus is based on physical location
2. Wayfair versus South Dakota
3. Every state establishes their own parameters for economic nexus
4. Ecommerce companies go from nexus in one state to Nexus in many overnight
5. The sales tax firm is born

Huge opportunity and huge exposure
A great resource at Ledgergurus.com>downloads
What mistakes do I see ecommerce firms making?

Becoming too entrenched in their processes

Never turning advisory—we have all the data to go deep

Even within ecommerce there is the ability to niche
- Amazon only sellers
- Foreign companies selling in the US
- Product lines like sports equipment or clothing

Dabbling but not committing
Great resources for your journey?

Our blog: www.ledgergurus.com
Conferences—including ecommerce ones to learn the lingo
Partners like sales tax and inventory
Consultants to reduce your learning curve
Catching Clouds Academy
YouTube
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