



Ecommerce accounting best practices

In this guide, you'll learn the basics and best practices for ecommerce accounting.

Bookkeep
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Introduction

Ecommerce accounting is the collecting, analyzing, organizing, and reporting of financial data related to business transactions that occur online, i.e., ecommerce or electronic commerce. Businesses are leaning into selling a broad spectrum of products, services and subscriptions to their target audiences online. Trends show that both consumers and businesses are increasingly purchasing online.

With a rise in ecommerce sales, accountants are now charged with understanding and providing insight to clients about their ecommerce sales and business.

As more sales channels, point of sale systems, and payment platforms emerge, ready for business, business owners are eager to sell on different platforms to reach a wider audience, and accept payment in any way consumers are willing to pay.

This creates a massive challenge for the accountants, who first need to understand exactly where the products and services are being sold, how they are accepting payments, as well as the nuances of each of the sales and payment platforms.

Most then have to figure out the process of downloading, analyzing, and organizing the data to then push it into their accounting software of choice.

At Bookkeep, we want to help businesses grow by improving efficiencies and reducing costs through best practice ecommerce accounting automation.

Best practice #1: Accrual accounting

The “accrual method” is a way of booking information that prioritizes the connection of sales to the day the sale happened rather than the day you received the money for said sale. Expenses as well, the day they were assessed, not the day they were deducted. This means that you have a clearer picture of financial performance on any given day.

Here are a few reasons why we think accrual accounting is so essential to maintaining well kept ecommerce books.

Flexibility

- Entering sales and associated expenses this way sets up your data to do more than just reflect annual, quarterly, or monthly sales. When sales and fee data are attached to when they actually happened, you have greater capability to customize your reporting.

Consistency

- Because sales are summarized by day instead of deposit, you are able to know the period of time covered by each sales entry. This becomes especially crucial when the amount of lag time between sale and deposit increases. Also, when the deposit schedule is markedly different between platforms, it becomes even more difficult to view your sales for a particular time period.



Best practice #1: Accrual accounting (cont'd)

Transparency

- By booking sales, taxes, and fees aligned with the sale date, you are able to better track how much money you are owed by your platform. This verifies that you are in fact receiving all the funds you are owed and that you are not being mistakenly charged for something. This helps with cash flow planning, especially as you start to get a sense of how long certain deposits take to arrive compared with others.

Utility

- Accounting and bookkeeping done by the accrual method can usually be easily converted to cash basis, but the same could not be said for the opposite.

Clarity

- Accrual accounting shows if your business is truly profitable and gives you the tools you need to predict what might happen going forward. Reporting becomes more useful when you are able to compare one week, day, or month to another without having delays in deposit or expense make it seem as if you were more or less profitable than you actually were. This isn't just good news for running your business, it's critical for showing the value of your business to others.



Best practice #2: Daily summaries by platform

Daily summaries are a particular way of booking sales information that summarizes what was sold for the day through each sales platform. So, rather than each individual sale being recorded in detail, each sale's details are combined with all other sales for that day on that platform and reported as totals.

Here are a few reasons why we think daily summaries are essential to maintaining well kept ecommerce books.

The most efficient way to manage sales detail

- Detail is important, but in most cases booking every sale is recreating a data-set you already have access to, and adding unnecessary information into your GL. This makes it harder to report, and to reconcile sales against the deposits and fees.

Many benefits

- Money tends to be processed and deposited on a daily close cycle. Booking sales summaries by day aids the reconciliation of sales to deposits.
- Daily summaries help with sales reporting on various other units of time that are consequential for the business (day, week, pay-period, month, quarter, season, year, etc). It also allows for comparisons between these time periods.
- These can be used to compare sales to corresponding expenses that cover particular periods of time, making real costs much more transparent and profitability much clearer.



Best practice #2: Daily summaries by platform (cont'd)

Optimize visibility to potential issues

- Maintaining platform integrity when recording daily summaries isn't just about getting the reconciliation right. It is also about being more easily alerted when something is wrong. When data is entered by both day and platform where the sale happened, it is much easier to spot when something fundamental is missing, shorted, or off in some way. It also allows you to better see how much you have yet to receive in deposits and from which platform.

Improve platform performance analysis

- If sales are summarized all together instead of by platform, this opportunity for platform analysis is being missed. Being able to clearly evaluate how your sales platforms are working is vital to the health of any ecommerce business. From analyzing marketing campaigns, platform fees, etc, it all depends on being able to compile and report on your data in a meaningful way. Being able to choose which data to report on by both date and platform creates more opportunity for game-changing analysis.



Best practice #3: Balance accounts

Balance Accounts, sometimes called 'clearing accounts', are accounts whose sole purpose is to help two separate sets of data balance against each other. How balance accounts do this is by keeping the reconciliation of these data elements separate from all the other noise – like everything else in the bank reconciliation. This makes it much easier to evaluate how these data sets are matching up and can even provide insights in between reconciliations!

Here are a few reasons why we think balance accounts are essential to maintaining well kept ecommerce books.

Balance accounts narrow the scope of reconciliations

- Typically the 'balance' that you are hoping to achieve between elements in a balance account is zero. So if all of your expected credit card sale deposits were booked to a balance account, then when the credit card deposits hit the bank, they are booked to the same balance account. You then match up expected deposits to actual credit card deposits. Ideally, these continue to cancel each other out, meaning the running reconciliation is always just a few deposits away from zero.



Best practice #3: Balance accounts (cont'd)

Balance accounts harness the benefits of detail

- Balance accounts bring the benefits of increased detail into your balance sheet reporting. They effectively become a running total of your financial status. If you can easily see what deposits might be coming in soon, you can plan your cash flow better.

With Bookkeep, each platform gets its own balance account. This means that each platform's expected net deposits, sales, adjustments etc are all booked to a balance account separate from that of other platforms you may also have connected. This makes it much easier to spot when something is amiss and track down the details.

Balance accounts protect your data's precision

- As mentioned above, we utilize a separate balance account for every platform you connect, so you can be precise in your approach to the data. Without balance accounts by platform, the balance accounts don't solve anything – especially for a business that is growing. We protect your precision by creating a balance account for every platform you connect and we create the balance accounts automatically when you connect it. All so your ability to focus with precision remains intact as you grow.

Balance accounts help automate

- Automated tools are going to have rules it operates by, and sometimes errors can occur. Balance accounts give you a window into your cash status – what's right, and what might be wrong. All independent of reconciliation. We'll talk more about automation next.



Best practice #4: Automation

With so many commerce platforms and so many ways to gather their financial data, there is no easy solution to collect all that data into accounting systems. Manual data entry not only eats up your time, but is more susceptible to human error and can create larger issues in the process and in the office. Using the right software to automate these processes has many benefits.

Here are a few reasons why we think automation is essential to maintaining well kept ecommerce books.

Time

- On average, bookkeepers spend one to four hours a week keying in vital business information. As the information is only becoming more diverse and complicated as time goes on, this average is sure to keep climbing for those doing manual entry. There are definitely more important things to do than spend your time laser-focused on inputting data.

Accuracy

- Posting proper daily accrual-based accounting entries are vital to managing any retail, restaurant or ecommerce business. Inaccurately inputting just one number can throw off your books, and possibly cause other problems with projections, purchasing, and more. With Bookkeep accounting automation you will never panic about an error found “too late” again.



Best practice #4: Automation (cont'd)

Integrations

- There is a lot of variety in ecommerce platforms and accounting software, and each application behaves and prioritizes differently. Trying to figure out the ins and outs of each system, and then trying to pull the information you need is not just time consuming, it is tedious.

Summarized Journal Entries

- Most sales channel reporting and integrations are not built with accounting in mind. They typically post individual transactions, making it hard to see exactly how much money was made. As mentioned earlier, we believe summarized sales by day are best. This eliminates messy books, because there are not endless entries to sift through to find what you're looking for.

Historical posting

- Don't you hate it when you start some new app and one of the first things you have to do is figure out how to "catch up" on all the historical stuff that happened that month, or that year? Consider automation that can post historical transactions as far back as you need to go. This is incredibly helpful when trying to clean up their books, especially if they have not done any bookkeeping.



Conclusion

We understand what accountants are facing with the ever-increasing list of commerce apps and other sources of financial data. At Bookkeep, we want to help businesses grow by improving efficiencies and reducing costs through accounting automation.

Bookkeep doesn't just want to make it easier to record your ecommerce data through automation. We want to make the data set you have to work with after that automation better.

Our goal is to seamlessly integrate with more sales channels and payment platforms to eliminate manual data entry for accountants and bookkeepers.

To us, it's obvious: you deserve an ecommerce integration that values the information that matters most to ecommerce businesses!

Instead of spending countless hours on manual bookkeeping tasks, you can focus your time and energy on growing your business, optimizing efficiencies, increasing revenue and maximizing profits.

We think you can have flexible, consistent, transparent, useful, clear bookkeeping and still have efficient workflows and a lucrative business. At Bookkeep, we are committed to it.

For more information visit
www.bookkeep.com

