

Growing Your Online Store: 5 Basic Accounting Tips



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Running an online store is no easy feat, particularly when it comes to the admin-heavy side, such as day-to-day operations and accounting. While accounting may not be what inspires you to go to work every day, it is a crucial part of the business.

Accurate [accounting for your ecommerce store](#) can help you to identify profit areas and is beneficial for your business's long-term growth.

Here are **5 accounting basics** to level up your finances and grow your online store.

1

Track your cash flow

As a business owner, you must get the full picture of your online store's financial situation. Other than maintaining a record of your expenses and revenue, you'll have to go more in-depth to make sure that your business is doing well. If you're unable to account for your business's financial state, it will be challenging to find ways to make improvements.

As a result, make it a point to keep track of your accounts to assess your liquidity levels. This also allows you to better understand your payment cycle and effortlessly plan for your online store's growth plans. For more precise future business forecasts, be sure to generate accurate and factual cash flow statements.

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Don't forget, if you want a hand, [our ecommerce experts](#) would be happy to help you with all your accounting and bookkeeping needs

1

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2

Factor in your cost of goods sold (COGS)

Good accounting practice should take into account the Cost of Goods Sold (COGS), as these expenses are part of your business as well. COGS is exactly that: the cost to produce the goods that generate revenue. This factors in every penny involved from acquiring materials to the sale of the final product.

It's easy to forget to include labour costs and rent as expenses. You must understand what goes into the COGS line item, how to keep it in check, and how to bring down the costs involved to increase your profit margin. Ensure that you maintain a record of your fixed expenses and that these figures are recorded accurately to reflect the total amount to make your gross and net profit calculation a breeze.

3

Keep your bank accounts separate

When it comes to running your own business, it's sensible to have a business account. This will prevent your personal and business finances from getting mixed up. It will also help to reduce effort for you when running your business, since the business finances are clearly distinguished from your personal finances. Trust us -- you'll be thankful for this tip especially when tax time comes around. Moreover, if you require funding from investors and creditors, your strong business financial records can improve the likelihood of approvals.

Before you head down to the bank to start an account, do some homework and keep a lookout for business accounts and compare their fee structures, the benefits of specific options, and the cost of running the account. We have some more information for you in [our article on the best business bank accounts in Hong Kong](#).

4

Effectively manage your inventory

Inventory management is an integral part of accounting. It's the practice of tracking your online store's stocked goods and keeping an eye on their weight, amounts, dimensions, and location. The objective of inventory management is to reduce the cost of holding inventory so you're better able to assess when it's time to stock up on products or purchase more materials to manufacture them.

Practice good inventory management by recording the amount of stocks you can have at any given time. This should be your ideal inventory management system and focused on the turnover rate. Be mindful to keep track of your inventory so you know that you're not holding more stocks than you should, or running out of stock. Constant updates of your inventory can help you manage your business operations more efficiently, as your online store will require new measures and practices as it expands.

5

Develop a bookkeeping system

Bookkeeping and accounting may seem similar, but the two are vastly different. Bookkeeping is the daily process of detailing transactions, categorising them and reconciling bank statements. On the other hand, accounting is more in-depth and scrutinises your business progress, deciphering the data put together by the bookkeeper through financial statements. As a business owner, you can decide how you want to develop your own bookkeeping system. Other options include:

- doing it yourself with software or an Excel spreadsheet to keep track
- outsourcing to a part-time bookkeeper who is cloud-based or local
- hiring a bookkeeper or accountant in-house, when your business can do so

...Or let us take care of it for you

We know how challenging it can be to run an online business, but we are here to help. At Osome, our team of experienced accountants is ready to share their advice about your accounting needs. [Just schedule a call with us!](#)



Got any questions?
[Chat with us](#) today!

