

Accounting and Bookkeeping Basics for Ecommerce Businesses



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Running an online store is no easy feat, especially when you're managing everything from day-to-day operations to marketing and accounting.

While bookkeeping probably isn't 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 identify profits and is beneficial for your business' 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 need to have the full picture of your online store's financial situation. Maintaining a record of your expenses and revenue is good practice, but you'll have to go a lot more in-depth to evaluate margins and really make sure that your business is doing well. If you can't account for your business' financial state, it will be difficult to find ways to improve.

Make a point of tracking 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.



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

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. An expense is the cost of operations that a business incurs to generate revenue, and includes every penny involved from acquiring materials to the sale of the final product.

Some business owners tend 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 reduce the costs involved to increase your profit margin. If you maintain an accurate record of your fixed expenses, [calculating your gross and net profit](#) will be a breeze.

3

Keep your bank accounts separate

When it comes to running your own business, it's sensible to have more than one bank account. This will prevent your personal and business finances from getting mixed up. It also makes things easier when it comes to filing your tax returns, as you'll easily be able to distinguish your business finances. Moreover, strong business financial records can improve the likelihood of getting funding approval from investors and creditors.

Before you head down to the bank to set up a business account, do some homework on the different accounts available and compare their fee structures, the benefits of specific options, and the cost of running the account.

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 know when it's time to stock up on products or purchase more materials to manufacture them.

You can practice good inventory management by recording the amount of stock you have at any given time, and the turnover rate. Be mindful of holding more stock than you should, or running out of stock. Constant updates of your inventory can help you manage your business operations more efficiently and scale as you grow.

5

Develop a bookkeeping system

Bookkeeping and accounting may seem like interchangeable financial terms, but they're actually very different. Bookkeeping is the daily process of detailing and categorising transactions, and reconciling bank statements. Accounting takes a more in-depth view, scrutinising your business progress and deciphering data from financial statements.

As a business owner, you can decide how you want to develop your own bookkeeping system. Here are some options to consider:

- do it yourself with software, or simply use an Excel spreadsheet to keep track
- outsource to a part-time bookkeeper who is cloud-based or local
- hire a bookkeeper or accountant to work in-house

Need help? Outsource your accounting and focus on growing your business.

If you find yourself searching for tips on how to manage [accounting for your ecommerce business](#), or need to focus on the core business at hand, our experienced professionals in Singapore can help.

We convert statements from ecommerce platforms into books, provide accounting services, tax filings, and profitability reports, so you don't have to do it all yourself. We know how to read documents from any platform, consolidate numbers for each SKU, product group, and market, and show you where your money comes from. So you can leave all the numbers to us while you get on with what you do best.

[Contact us](#) to talk to a member of our team about how Osome can support your business.



Got any questions?
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