
E-commerce/Retail Accounting 101

A DEPOSIT IS NOT REVENUE

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Why?

$$\begin{aligned} & \text{SALES} \\ & + \text{LIABILITIES} \\ & - \text{FEES} \\ & - \text{LOAN PAYMENTS} \\ & - \text{CARD PAYMENTS} \\ & = \\ & \text{DEPOSIT} \end{aligned}$$

WHAT IS REVENUE?

- **Product Income (sales)**
- **Shipping Income**
- **Services Rendered**
- **Also called 'Sales', 'Income' or 'Turnover' if you are in the UK**

	OCT 2020
▼ Income	
▼ Gross Sales	71,643.85
Discounts	-5,975.05
Returns	-60.00
Total Gross Sales	65,608.80
▶ shopify Sales	0.00
Total Income	\$65,608.80
▶ Cost of Goods Sold	\$37,938.85
GROSS PROFIT	\$27,669.95
▶ Expenses	\$22,707.53
NET OPERATING INCOME	\$4,962.42
▶ Other Expenses	\$3,278.53
NET OTHER INCOME	\$ -3,278.53
NET INCOME	\$1,683.89

**MONEY YOU *RECEIVE*
THAT DOES NOT BELONG TO YOU
ARE LIABILITIES.**

WHAT ARE LIABILITIES?

- **Sales tax**
- **Tips charged to credit cards belong to your staff**
- **Bottle deposits**
- **Gift Cards!**



FEES & LOAN PAYMENTS

- **Card processing fees**
- **Software fees**
- **Loan payments for factoring**
- **Withholdings for new accounts**



SALES HAPPEN DAILY

	NOV 2, 2020	NOV 3, 2020	NOV 4, 2020	NOV 5, 2020	NOV 6, 2020	NOV 7, 2020	NOV 8, 2020	NOV 9, 2020	NOV 10, 2020
Income									
↳ Gross Sales	1,990.00	4,828.56	1,372.40	1,741.00	3,895.94	3,581.99	1,660.80	1,408.87	1,617.80
↳ Discounts	-162.36	-388.50	-84.02	-182.94	-290.50	-362.08	-208.94	-97.65	-111.48
↳ Returns					-28.00				
Total Gross Sales	1,827.64	4,440.06	1,288.38	1,558.06	3,577.44	3,219.91	1,451.86	1,311.22	1,506.32
↳ shopify Sales									
Total Income	\$1,827.64	\$4,440.06	\$1,288.38	\$1,558.06	\$3,577.44	\$3,219.91	\$1,451.86	\$1,311.22	\$1,506.32
Cost of Goods Sold	\$1,037.43	\$2,468.77	\$819.86	\$908.32	\$2,025.50	\$1,887.76	\$1,023.52	\$749.04	\$847.03
GROSS PROFIT	\$790.21	\$1,971.29	\$468.52	\$649.74	\$1,551.94	\$1,332.15	\$428.34	\$562.18	\$659.29

DEPOSITS HIT DAYS LATER

DEPOSITS HAPPEN LATER

HOW DO WE ACCOUNT FOR IT?



Sales Day

$$\begin{array}{r} \uparrow \\ \$100 \\ \hline \text{Income} \end{array} + \begin{array}{r} \uparrow \\ \$8.75 \\ \hline \text{Sales Tax} \end{array} = \begin{array}{r} \uparrow \\ \$108.75 \\ \hline \text{Payments Clearing} \end{array}$$


Deposit Day

$$\begin{array}{r} \downarrow \\ \$108.75 \\ \hline \text{Payments Clearing} \end{array} = \begin{array}{r} \uparrow \\ \$3.51 \\ \hline \text{Fees} \end{array} + \begin{array}{r} \uparrow \\ \$105.24 \\ \hline \text{Bank Account} \end{array}$$

HOW THIS LOOKS IN QUICKBOOKS

	ACCOUNT	MEMO	PAYMENT	DEPOSIT	✓
	-Split-	Credit Tender Total NYC		\$2,450.71	
	-Split-	Reduce Tender	\$954.12		
	-Split-	Credit Tender Total NYC		\$954.12	
	-Split-	Reduce Tender	\$1,261.28		
	-Split-	Credit Tender Total NYC		\$1,261.28	
	-Split-	Reduce Tender	\$1,869.80		
	-Split-	Credit Tender Total NYC		\$1,869.80	

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