

Simplified Bookkeeping When Selling Through Amazon

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A White Paper



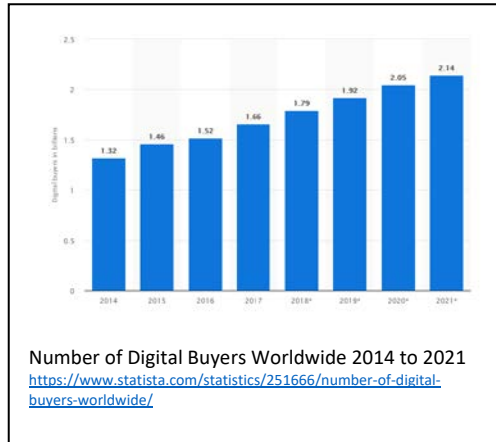
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Problem

E-Commerce is definitely booming. Based on statistics, experts are predicting that come year



2021, more than 2.14 billion people worldwide will be buying goods and services online.

Amazon entered the online scene as a platform to sell books and CDs in the early 2000s, and has grown rapidly to become by far the largest online market space capturing almost 42% of all online sales. With this much exposure, selling through Amazon seems like a sure win. But it is not without problems and

pitfalls that could make or break your business.

With exponential growth and rapid expansion, Amazon Online Selling has become complicated with frequent changes to rules and restrictions, difficult to navigate site algorithms, multiple and sometimes hidden or unexpected fees and charges, not to mention the dirty tactics that some unscrupulous traders use to exploit loopholes in the system. Getting help from Customer Service has also become extremely frustrating.

In the fast paced and often described as 'brutal' online retail market, keeping accurate track of bottom line profitability, inventory and cash flow should be a primary concern of every Amazon Seller.

Easier said than done.

While Amazon Seller Central provides sellers with numerous detailed transaction reports – sales, fees and charges, refunds, taxes, commissions, shipping, inventory – the complicated

format, the overwhelming amount of information, and limited capability to sync the data with popular accounting systems is a struggle that entails spending long hours sorting through raw data before coming up with necessary financial statements and analytics that could be used to make good business decisions that take advantage of time-sensitive market opportunities.

There should be a simpler way to keep track of your business.

History

Several months ago, after catering to mostly traditional businesses, we started providing bookkeeping services to a client specializing in online sales on multiple platforms – Amazon FBA, Shopify and their own website. During our 2 month free trial period, we immediately noticed significant challenges unique to the online retail business that we had to understand and overcome, to provide the best service that would be relevant for our client:

Volume and Complexity of transactions:

Whereas our small to medium scale clients averaged 65-100 line-item transactions a month, our new client was averaging more than 300 complex transactions with sales and invoice transactions taking up 60% of the total.

Each Amazon FBA sale could have up to 15 other line items – fees and charges, sales tax and commissions that has to be posted separately. Reconciling all these transactions, based on numerous, segmented Amazon Seller Central reports was nightmarish. And although we use an industry-leading accounting software which has the ability to learn from previous entries and intuitively predict transaction types and categories, it takes time to build the database reference. Even then, a lot of transactions still needed to be manually identified, categorized and verified, then matched to bank feed entries.

Inventory:

The business has more than 50 different product SKU in their inventory which must be tracked and reconciled with up to 16 different Amazon Seller Central reports listing details that include condition, disposition, and quality.

Then, there were products that were bought in bulk then retailed as single items and item combinations. To accurately enter and track item combinations required inventory flow for manufacturing which unfortunately was not available in any accounting systems designed for small to medium sized businesses.

COGs, Profit and Loss:

Another realization we had that was unique to selling online, was that each product had its own market forces and factors to be considered in pricing goods. The goal to get the coveted 'Buy Box' has most sellers using automated repricing tools that monitor the competition. When a competitor reprices, it could set off a chain reaction and start a downward price war that leaves very little meat on the bone. To set up a good pricing strategy, it is important to accurately track the cost of goods and its profitability on an SKU level and not just on overall company sales and margins.

It is also necessary to be familiar with the various fees Amazon charges and how they are determined. We noticed several obvious errors that had Amazon charging fees that cost more than the product itself! Left unchecked, these errors would have amounted to losses for the business.

Cash Flow:

Amazon remits payment for items by direct deposit to a seller's bank account every 15 days. Sellers who depend on revenue from sales to purchase more inventory would need to update

their cash flow statement more often than once a month. Also, accrual reporting, rather than cash basis, would be required to get a more accurate view of how much money they have coming in (receivables), what they can expect to see on future expense reports (payables) and what their business resources actually are.

Sales tax:

The Supreme Court Ruling of June 2018 overturned a previous ruling from 1992 that allowed online retailers to skirt sales tax collection responsibilities if they didn't have a physical presence (nexus) in the state. One of the criteria in determining nexus is the presence of products in a state. Because of Amazon's rapid expansion, they now have a nexus in 25 states. FBA sellers who ship products to Amazon warehouses or fulfillment centers now need to determine which states they have to collect sales tax from. While Amazon will collect state sales tax (for a fee), sellers need to specify this during setup. Also, it is the responsibility of sellers to ensure that they are registered with the DOR of a state to collect, file and remit sales tax within the state that requires it. Failure to comply with the new ruling opens many online sellers to fines and interests on back taxes due. Not all sellers are fully aware of how Amazon's sales tax system works.

Solution

Bookkeeping is a necessary part of any business; and not just for tax filing purposes. Financial reports help you analyze, forecast, and make crucial decisions that can take your business to a whole new level. The task is tedious, frequently confusing, and definitely time consuming. It is not rocket science but it does require specific knowledge. Like how to treat transactions – identifying, categorizing and entering them into the books, creating different types of

journals that are required to accurately come up with various financial reports, tracking inventory, managing accounts payable and receivable, adjusting entries to account for depreciation and bad debts.

Most startup entrepreneurs decide to save on overhead costs by doing their own day to day bookkeeping until the business grows larger. If you are confident in your capability to properly manage your books and you enjoy doing it, finding and learning to use a good accounting software may be all you need to simplify your bookkeeping. This strategy has worked for a lot of brick and mortar businesses, but in the more dynamic Amazon market space, managing every aspect of a business may not always be the best option.

There are a multitude of things that need to get done to realize the goal of becoming a million-dollar-a-year seller on Amazon: constantly optimize your account, drive sales, boost product listings, ensure delivery and customer satisfaction, manage suppliers and vendors, etc. Staying on top of operations is already a full-time job!

Focus on growing your business. Leave the bookkeeping to us, we'll simplify it for you!

Benefits

Benefit from our experience.

We'll use the data in your Amazon Seller Central reports, reconcile these with your bank and credit card statements, and provide you with comprehensive financial reports that will help you focus on your bottom-line profitability as well as your top-line sales. We do accrual basis reporting which gives you a lot more information that will help you plan into the future and understand how your business performed in the past. You can accurately compare the performance between this year and last year, this month and last month, and this month and the same month last year.

Our bookkeepers also analyze your bills and invoices and post due dates extracted from them; post journal entries such as depreciation and prepaid expenses; make journal adjustments and do a myriad of other things. We will provide you with reports that will give you a more realistic idea of how much money you have coming in and what you can expect to see on future expense reports and what your inventory and company resources actually are.

It's like having a full-time bookkeeper at a fraction of the cost of having someone in-house.

Call to Action

Check out our website: www.edataquick.com or, call us at 1 (833) 463 3282 and speak with an account manager. We operate 24 hours a day, 7 days a week. You may also send us a message at bookkeeping@edataquick.com

About the Company

eDataQuick is a subsidiary of eData Services U.S., LLC, an American owned and operated business. For almost 20 years eData Services has provided high value back-office business process outsourcing services for many industries, including medical, legal, engineering, and insurance professionals.

We are customer focused and tailor our services to meet our clients' needs. With more than 500 experts from over 20 professions, we deliver customized services to over 800+ clients in the United States. We are ISO 9001:2015 Certified, FTC and HIPAA compliant, and utilize state of the art technologies, including the Microsoft Azure Cloud, and Intuit technologies to protect all customer data.

Our headquarters are in Beverly Hills, California. All of the bookkeeping work is performed in our wholly owned facility in Makati, Philippines. We are in a unique position to deliver what our customers require. Benefit from the low-cost labor arbitrage that your competitors are able to acquire while enjoying quality, security and reliability as if your work was performed in the United States.

We employ highly skilled bookkeeping professionals. Most of them are Certified Public Accountants in the Philippines. All of our production staff are qualified to deliver GAAP compliant financial reports and have completed training as QuickBooks ProAdvisors.

