

# 7 Biggest Accounting Mistakes That Sink Your Ecommerce Store

When you have an online ecommerce store, there are a lot of moving pieces. You need to serve your customers' needs while making sure that all the parts of your business are working together. The products need to be of the highest quality, shipped on time, and delivered to the right customers. You, your employees, and your contractors all need to be working in sync so that everything goes smoothly, and you are making a profit.

There are many books out there that teach you about ecommerce platforms and shipping solutions, but it isn't easy to find a guide that shows you how to do proper accounting for your ecommerce store. Yet, without your books being up-to-date, how do you know if you're making a profit? (Many online merchants actually don't know how much money their business makes, let alone whether they are making a profit).

Most of the time you probably feel like you're just running around in circles; trying to get through the day, putting out fires, and meeting payroll. Would you like to get a few hours a day back into your life?

The two main reasons that entrepreneurs start a business are

- 1) to make money and**
- 2) to live a life on their own terms.**

It sounds almost too good to be true: freedom to work from anywhere with a bigger paycheck that you had in your corporate job.

There is a famous quote from Zig Ziglar that all business owners can relate to: "Money is not everything, but it ranks right up there with oxygen."

**When your accounting is in order, and you know exactly how much money your business is making, you will be able to make better business decisions:**

- Can you hire another employee, or do you need to let someone go?
- How much money can you set aside for marketing this month?
- What is the sales quota that you need to meet this month in order to make a profit? (or at the very least break even?)

You might wonder: Isn't it my CPA's job to keep my books in order? My CPA should be able to tell me how much money I am making, and whether I can meet payroll.

Accounting professionals are expensive. Do you want to pay him or her to upload spreadsheets of information between your website and QuickBooks? Do you want your Accountant spending hours on end updating SKUs to match QuickBooks?

It is interesting that after 12 years in business and helping thousands of small business owners, we see the same mistakes. In this guide, we will show you the seven most common mistakes that cost time, money, and opportunities. In some cases, these mistakes cost business owners their whole business.

Once you are able to set up your accounts so that you avoid these mistakes, not only will you have peace of mind, but your business will be more profitable, and you will get back several hours a day into your life.

## Should you use QB Online or Desktop?

Before we dive into the 7 mistakes, we wanted to give a quick comparison between QuickBooks Online and Desktop. Some of our customers switch from one version to another, so even if you're already using one version of QuickBooks, it is worth reviewing the advantages and disadvantages of each. Both versions have basic functionalities such as tracking expenses and sales, generating reports and creating invoices. However, there are some differences in accessibility and advanced functionality.

QuickBooks Online is ideal if you have multiple users. It is cloud-based, and you can access it from anywhere, with either a PC, a Mac, or mobile device. It also allows you to manage your accounting on-to-go, such as uploading receipts to your bank from your smart phone.

QuickBooks Desktop offers more financial reports, support for sales orders, and is a better inventory management solution. If you manage inventory, you will likely need a 3rd party plugin for QuickBooks Online. QuickBooks Desktop files can be backed up and restored, though QuickBooks Online has some apps that back-up and restore apps for a fee. QuickBooks Desktop offers more functionality, but it is more difficult to maintain and more difficult to sync.

Now, let's review the 7 most common accounting mistakes that can sink your ecommerce business:



## Mistake #1: **Waiting until tax time to get your books in order**

We see this every April; as soon as tax time gets close, small business owners approach us because they need help getting all their sales from the previous year into QuickBooks. While historical syncing of a few weeks is manageable, waiting until tax time to get your books in order for a whole year is logistically challenging. If your books are out of date for most of the year, it leads to several problems:

- You fail to write-off expenses to the IRS and you pay more in taxes. This is true if you fail to record the value of inventory in QuickBooks. The expenses are subtracted from your gross income.
- You fail to track Accounts Receivable. You might run out of cash, and not be able to pay your vendors, staff, or even yourself.
- You oversell product because you are unsure of inventory. If you sell on Amazon, then your seller rating decreases.

We know that keeping your QuickBooks is not the favorite part of your job as a business owner. As you go through this guide, we will show you the other most common mistakes that we see. For now, just remember to keep your QuickBooks accounts in order as you go through the year, rather than waiting until tax time – your family, your friends, and even your CPA will thank you!

## Mistake #2: **Poor inventory management**

When your inventory is mismanaged, you run into several problems:

- **Overstocking:** having a bigger than necessary inventory can tie up a lot of your capital. It may also be expensive to rent the space necessary to stock your inventory. In addition, if your products have a shelf-life, they may expire or deteriorate if you cannot sell them on-time. The value of your inventory is listed on your taxes.
- **Over-selling:** if customers buy products that are out of stock, you will need to process refunds and you will ruin your reputation. Your seller rating on Amazon and eBay will decrease and fewer customers will purchase.
- **Lack of scalability:** whether your challenge is overstocking or over-selling, you cannot scale if you don't have a system for managing your inventory.
- **Poor business decisions:** it is impossible to make good business decisions if you don't know how much of each product you are selling. For example, one of our customers realized that almost 90% of his sales came from Amazon. After that, he stopped selling his products on almost all other sales channels.

Unless you have reliable data on the sales of each of your product through your individual sales channels, you will not be able to manage your capital, market your products, or partner with other companies.

## Mistake #3: Manual Data Entry

As you can see by now, we are all about helping our customers create systems. With the increase in ecommerce sales, you cannot rely on manual data entry if you want your business to grow.

Manual data entry will prevent your business from scaling. If you keep relying on manual data entry, your business might survive (assuming you give up your weekends), but it's going to be very hard to increase your sales, partner with other companies, and gain the visibility that you imagined when you started your business.

Manual data entry leads to several problems:

- It is expensive: whether you are the one entering the sales manually in QuickBooks or you hire someone to do it, manual data entry is costing your business time and money
- Human errors: there is an infinite number of ways that manual data entry can lead to accounting errors, which will cost you even more time and money down the line.
- Upset customers: Imagine getting a one-star review for your product on Amazon because the customer got the wrong item. It happens all the time!
- Lost opportunities: The time and money that you spend on having the data entered manually could be spent on searching for new partnerships, talking to customers on the phone, or developing your new product.

Most business owners estimate that manual data entry takes about 10 hours a week. That's over 500 hours a year, or 12 work weeks! If you're paying someone \$30/hour, that's \$15,000 a year, not including payroll taxes, and the headache of managing manual data entry!

What if you could spend 500 hours or \$15,000 a year on partnership opportunities, or designing a new product?

When you free yourself from manual data entry, it opens up more business opportunities, more time to spend with your family, and most importantly, more energy to do the things you love the most.





### **Mistake #4: Mismatching products names in online store and QuickBooks**

This is the most common mistake that we see among small business owners. If your product name in your online store does not match the product name in QuickBooks how can you keep track of your sales and inventory? If you hire someone, how will they know it's the same product if it has a different name in your Shopify store, your Amazon store, and QuickBooks?



### **Mistake #5: Using QuickBooks as a CRM tool**

QuickBooks Pro and Premier have a customer limit of 14,500. Keep your CRM separate from your QuickBooks and you can manage your sales, marketing, and Accounting.



### **Mistake #6: Failing to match deposits and sales**

If you fail to match deposits to sales, income is recorded twice and no merchant fees are recorded. You will pay taxes on any expenses that you fail to mention! As your business grows, it becomes even more important to have a system to match deposits from all the different sales sources with your bank.



### **Mistake #7: Failure to markup shipping as needed**

If you are selling internationally, or offer different shipping options, you need to mark up your shipping accordingly and reconcile your QuickBooks accounts. Unless you have a system for syncing your shipping fees with QuickBooks, you will need to enter all the shipping fees manually, which quickly leads to many hours of labor as well as human errors.

## **Next Steps**

As a business owner, you should focus on what you do best. We have over 12 years of experience with QuickBooks. We have helped thousands of ecommerce merchants to keep their QuickBooks accounts up-to-date.

**Connex for QuickBooks Online and Desktop** are ideal for ecommerce merchants who have up to 30,000 orders per year. For higher volumes, please [contact us](#). We are in ideal solution for business owners who sell on multiple sales channels such as Amazon, BigCommerce, eBay, and Shopify just to name a few. With Connex, all of your sales from all of your channels will be synced with QuickBooks.

You no longer need to log into each sale one at a time, and manually enter order into QuickBooks (just the thought of that makes our eyes hurt). We sync your sales, customers and orders automatically.

Imagine it being tax time, and instead of pulling your hairs out wondering how you will ever get your taxes done on time, you get to enjoy a leisurely stroll with your family on the weekend.

When your QuickBooks is set up properly, you can grow your business without unnecessary headaches.

## **We offer a free trial of Connex for QuickBooks, so you can have access to all the functionalities for 14 days.**

We priced Connex for small business owners. By subscribing to Connex, you purchase your time at a discount. The cost of Connex is far lower than the cost of entering data by hand.

What opportunities would open up for you and your business if you were free from entering data manually into QuickBooks?

We know that you have many things to worry about and QuickBooks should not be one of them. Leave QuickBooks to us and focus on what you do best: growing your business.

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