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The Ecommerce Founder's Finance Playbook

A Practical Finance Guide for Ecommerce Founders at Every Stage
Bookkeeping, Tools, COGS & the Systems That Actually Work

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DISCLAIMER

This playbook is for educational purposes only and does not constitute accounting, financial, tax, or legal advice. The approaches described reflect common practices at the small business level and may not align with GAAP or the specific requirements of your business. Talk to a qualified accountant before changing your inventory accounting method, costing approach, or financial reporting. Kigitz is not a licensed public accounting firm and does not provide tax, audit, or attestation services. Nothing in this document should be taken as tax guidance.

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01

Who This Is For

I co-founded a CPG brand and now lead a team of ecommerce bookkeepers. In that time, I've seen the same financial blind spots show up over and over: books that don't reflect reality, P&Ls that can't tell you what's working, and founders making growth decisions on incomplete data.

Of all the issues that come up, inventory is by far the most consistent. It comes up with almost every ecommerce client, every time. Not because founders aren't smart, but because inventory accounting is deeply custom to every business and there's no one-size-fits-all answer. But inventory is only one piece. This playbook covers the full picture: how to set up your books at each stage of growth, how to get your channel reporting right, how to automate what you can, and how to build a monthly rhythm that turns your financials into something you can actually use.

I wrote this because I kept having the same conversations with founders at every stage, from first sales to a few million a year. All dealing with the same problems and not knowing where to start. This is where to start.

Who this is for

Ecommerce founders at any stage selling on Shopify, Amazon, Walmart, wholesale, or a mix, whose books are a mess, behind, or maintained by someone who doesn't understand how ecommerce money moves.

If you're doing your own bookkeeping in QuickBooks or Xero and it feels like a guessing game, this is for you. If you have a bookkeeper but they can't explain your COGS, your inventory is a black box, and your P&L doesn't match reality, this is for you.

This isn't a sales pitch. The goal is to give you enough clarity to either fix things yourself or know exactly what to look for in a bookkeeping partner.

Who this is NOT for

Businesses that already have a full in-house finance team, or anyone looking for tax advice.
Nothing in this playbook is tax guidance.

02

Bookkeeping by Stage

What your bookkeeping needs to look like depends on where you are. The mistake most founders make is either overbuilding too early or underbuilding too late. Here's the breakdown.

$0 to $250K: Foundation Mode

At this stage, you're likely selling on one or two channels, fulfillment is fairly simple, and transaction volume is manageable. Your books don't need to be sophisticated. They need to be right.

- QuickBooks Online or Xero is plenty. Don't overcomplicate it.
- Connect your bank feeds and payment processors directly.
- Categorize transactions weekly so they don't pile up.
- Reconcile your bank accounts monthly at minimum.
- Keep your chart of accounts simple: 30 to 40 accounts max.

> **The key at this stage:** Build the habit. Most founders who end up with a disaster at $1M+ got there because they never built a bookkeeping rhythm early on. If you'd rather not spend your nights in your books, this is also the cheapest stage to bring in help and get set up right from day one.

$250K to $1M: Structure Mode

Things get more complex here. You're probably on multiple sales channels, inventory is a real line item, and the difference between cash and accrual accounting starts to matter. This is where most founders realize their setup is breaking.

- Get on a settlement tool like A2X so your channel payouts book themselves.
- Start tracking COGS by product or category, not as one lump sum.
- Separate revenue and fees by channel if your channel mix matters for decisions.
- Monthly reconciliation is non-negotiable. If you're behind, catch up now. It only gets harder.
- If you're still doing your own books, this is where a bookkeeper pays for itself.

$1M to $5M+: Visibility Mode

At this level, clean books aren't enough. You need visibility: the ability to look at your numbers and make decisions from them. Your P&L should tell you what's working, what's bleeding, and where to focus.

- You need a bookkeeper who understands ecommerce, not only debits and credits.
- Inventory tracking should be a system, not guesswork.

- Your chart of accounts should support the decisions you're making: by channel, by product line, by fulfillment method.
- Consider CFO-level oversight from someone reviewing the books with a strategic lens, not only a compliance lens.
- Monthly reporting should include margin analysis, a COGS breakdown, and cash flow context, not a bare P&L export.

03

The Inventory & COGS Disaster

If there's one area where ecommerce bookkeeping falls apart, it's inventory and cost of goods sold. It's also the area with the most grey area. There's no single right way to handle it, which is exactly why most founders and most bookkeepers get it wrong.

Why it's such a mess

Ecommerce inventory is different from traditional retail. You're dealing with multiple sales channels with different fee structures, products with multiple components or variations, landed costs that shift with every shipment, and returns that come back in unpredictable patterns. QuickBooks and Xero weren't built to handle that on their own.

Here's what we typically see when we open an ecommerce founder's books for the first time:

- COGS is a single line item with no breakdown. One giant number that tells you nothing.
- Inventory on the balance sheet doesn't match what's actually on the shelf (and nobody's checked).
- Purchases are expensed immediately instead of flowing through inventory, which distorts margins.
- Freight, duties, and shipping to the warehouse are buried in operating expenses.
- SKUs sold across channels have different costs depending on fulfillment, but they're all averaged into one number.

> **The real cost of getting this wrong:** When your COGS is off, your gross margin is off. When your gross margin is off, every pricing, channel, and growth decision is based on bad data. You could be scaling a product line that's actually losing money.

The grey areas nobody talks about

There's no universal standard for how a $500K ecommerce brand should track inventory. The right approach depends on your product complexity, transaction volume, channel mix, and honestly, how much precision you need right now versus how much overhead you can handle. The options range from very simple to very detailed, and there are legitimate reasons to use each one. Here they are.

04

Approaches to Inventory Tracking

There's a spectrum of approaches to tracking inventory in your books. None of them are universally right. Each one trades off accuracy, effort, and complexity. Here's the range, from simplest to most detailed.

1. Expense Everything as Purchased

When you buy product, you expense it immediately. No inventory asset on the balance sheet. Your COGS is basically your purchasing for the period.

- **Works for:** Very early-stage businesses with low SKU counts and fast inventory turns.
- **Trade-off:** Your margins will be lumpy. A big purchase order in one month spikes COGS even if you sell that inventory over three months.

2. Automated COGS Through Your Settlement Tool

Tools like A2X can book COGS with every payout, using the unit costs you provide and the sales data they pull from your channels. You get a reasonable COGS figure every period without manual counting.

- **Works for:** Founders who want real monthly COGS without a heavy manual process.
- **Trade-off:** It's only as good as the unit costs you feed in. If costs shift often or you have complex bundles, it can drift.

3. Quarterly Physical Counts

Every quarter, you count what's actually on the shelf (or in the warehouse), value it, and adjust your inventory and COGS. In between, you rely on estimates or purchasing data.

- **Works for:** Growing businesses that need reasonable accuracy but can't justify the overhead of monthly counts.
- **Trade-off:** Your monthly P&L between counts is approximate, and quarterly adjustments can swing your margins.

4. Monthly Physical Counts

Same idea as quarterly, but every month. You get a much tighter monthly P&L and catch shrinkage, miscounts, and cost drift earlier.

- **Works for:** Businesses with meaningful inventory value, multiple product lines, or where monthly margins drive decisions.
- **Trade-off:** It takes time. Depending on your SKU count and warehouse setup, a count could be a half-day process. You need a count sheet or template to make it repeatable.

5. Perpetual Inventory with Unit Costing

Every unit is tracked in and out at its actual cost. You know what's on hand, what it cost, and what your COGS was for every sale. This usually requires a dedicated inventory management system.

- **Works for:** Complex products: SKUs with varying fulfillment costs across channels, multi-component products, or high-value items.
- **Trade-off:** Highest overhead. Requires disciplined data entry, cost tracking on every purchase order, and a system that can handle it.

Where most of our clients land: Automated COGS through A2X, trued up against regular inventory counts (quarterly or monthly, depending on the business). It's a big step up from expensing everything as purchased, without the overhead of a full inventory system.

Our recommendation: Start with the simplest approach that gives you what you need right now, and move up as you grow. A founder doing $300K doesn't need perpetual inventory tracking, but a founder doing $2M across three channels with 200 SKUs probably does. The worst approach is no approach, which is what most founders have.

A note on accounting standards: None of these approaches are formal GAAP, and for most small businesses they don't need to be. Smaller businesses generally have flexibility in how they account for inventory, as long as the method is reasonable, consistent, and matches their books. The rules differ between the US and Canada, so confirm with your accountant. Where things get risky is having no system at all. If you're raising capital, borrowing, or preparing for a sale, lenders and investors may expect GAAP-compliant financials, so loop in your accountant at that point.

05

FIFO vs. Weighted Average vs. Other Methods

Once you decide to track inventory seriously, you need to pick a costing method. It determines how you assign a dollar value to each unit you sell, and it directly affects your reported COGS and gross margin. Here are the main options.

Method	How It Works	Best For	Watch Out For
FIFO (First In, First Out)	Oldest inventory costs are assigned to sales first. Remaining inventory reflects the most recent costs.	Businesses where costs are rising over time. Gives a more current balance sheet value.	In a rising cost environment, FIFO shows higher margins, which can overstate profitability.
Weighted Average	Total cost of inventory divided by total units. Every unit gets the same average cost.	Businesses with frequent purchases at varying costs. Smooths out cost swings.	Can mask cost trends. If your last shipment cost a lot more, the average dilutes that signal.
Specific Identification	Each unit is tracked individually at its actual cost.	High-value or unique items (jewelry, custom products, one-of-a-kind goods).	Impractical for high-volume sellers. The tracking overhead is huge.
LIFO (Last In, First Out)	Newest inventory costs are assigned to sales first.	Rarely used in ecommerce. Allowed under US GAAP, but not under IFRS or Canadian ASPE.	Can significantly understate inventory value on the balance sheet. Most ecommerce businesses don't use it.

In practice, the two approaches we see most often with ecommerce clients are weighted average costing and using your most recent invoice cost as your unit cost. Weighted average is a formally recognized method: you recalculate the average every time new units come in. Most recent invoice cost is more of a practical shortcut. You use whatever you paid on your last purchase order as the unit cost going forward. It's not a formal GAAP method, but it's common at the small business level because it's simple and usually close enough when purchase prices are fairly stable.

If formal GAAP compliance matters for your situation (fundraising, lending, a potential sale), talk to your accountant about which method to adopt. For day-to-day decisions, either approach gives you far better visibility than what most founders have, which is nothing.

Most importantly, pick one method and stick with it. Switching mid-year makes your historical numbers hard to compare. Whatever you choose, document it. Your future self (and your bookkeeper) will thank you.

06

Settlement-Based Reporting

If you sell on Shopify, Amazon, or any major ecommerce platform, you've probably noticed that what hits your bank account doesn't match what you sold. That's because platforms batch your payouts. They deduct fees, refunds, and adjustments before depositing a lump sum. That lump sum is called a settlement.

The problem with booking deposits as revenue

If your bookkeeper is categorizing your Shopify or Amazon deposits as "revenue," your books are wrong. That deposit is gross sales minus platform fees, processing fees, refunds, and chargebacks, all bundled into one number. Without breaking it out, you have no idea what your real revenue, fees, or refund rate look like.

How settlement-based reporting fixes this

Settlement tools connect to your sales channels and your accounting software, then break each payout into its actual pieces: gross sales, discounts, refunds, platform fees, processing fees, and the net deposit. Each piece gets mapped to the right account in your chart of accounts.

The benefits are big:

- Your revenue line shows actual gross sales, not net deposits.
- Fees are tracked as separate expenses, so you can see what each channel costs you.
- Refunds and chargebacks are visible and trackable.
- Your P&L shows how each sales channel is really performing.
- Reconciliation gets much easier because every payout is broken out and matches the bank.

> **How we do it:** We use A2X for every ecommerce client. It connects your sales channels to QuickBooks or Xero and breaks down every settlement automatically. Setup takes some upfront work to map your accounts correctly, but once it's running it saves hours every month and gives you far cleaner financials.

If your bookkeeper is still categorizing lump-sum deposits as revenue, this should be one of the first things you fix. The visibility it gives you into each channel is a game-changer.

07

Automating Accounts Payable

Most ecommerce businesses live in a hybrid accounts payable world. Some vendors send invoices. Some are on autopay. Some get paid by credit card. Some get paid through platform deductions. It's messy, and it creates a bookkeeping headache because money is going out through multiple paths with no single source of truth.

The hybrid AP problem

Here's what we typically see: a business credit card for smaller vendors and subscriptions, a bank account for bigger supplier payments and wires, a platform like Amazon deducting fees and fulfillment costs before settlement, and maybe PayPal or Stripe making other payments. There's no unified view of what's going out, to whom, or whether it's been recorded properly.

How AP automation tools help

Modern AP platforms centralize vendor payments, automate receipt capture and categorization, and sync directly with your accounting software. The benefits go beyond bookkeeping:

- Every payment is captured and categorized automatically. No more missing receipts or mystery charges.
- Spending controls let you set limits by team member, vendor, or category.
- Cash back or points on payments you're already making.
- Visibility into spending across the business without waiting for month-end.
- Direct integration with QuickBooks or Xero means transactions come in pre-categorized.

> **Tools to explore:** Platforms like Ramp combine corporate cards, bill pay, and expense management in one system that syncs with your accounting software. The automatic receipt matching and categorization alone can save a lot of bookkeeping time each month.

If you're still paying vendors through a mix of personal cards, bank transfers, and platform deductions with no central system, consider consolidating. The bookkeeping benefits are immediate, and the spending visibility helps with decisions.

08

Bank Rules & Automation

QuickBooks Online and Xero both have built-in bank rules that most founders (and plenty of bookkeepers) either don't know about or don't use well. It's one of the simplest ways to cut your bookkeeping time and make categorization far more consistent.

What bank rules do

Rules automatically categorize, rename, and assign transactions as they come in from your bank feed. Instead of reviewing every transaction by hand, you set up a rule once and your accounting software applies it going forward.

Here's what you can automate:

- Categorize recurring transactions like subscriptions, software, rent, and insurance to the right account.
- Rename vague descriptions. Turn "AMZN MKTP" into "Amazon Marketplace" or "SQ *YOUR VENDOR" into the actual vendor name.
- Split a recurring charge across multiple expense categories automatically.
- Auto-add low-risk transactions so they skip the review queue entirely.

How to set them up

Find Rules under Banking in QuickBooks Online, or Bank Rules in Xero. Look at your last 3 months of transactions and pick out every vendor or charge that repeats. Create a rule for each one that matches the bank description (use "contains" rather than "is exactly," since bank descriptions shift slightly). Assign the right category, rename if needed, and set it to auto-add once you're confident.

> **Pro tip:** Build your rules as you work through your first full month of cleanup. By the end of that month, you'll have rules covering most of your recurring transactions. By month three, the bulk of your bank feed should be categorizing itself, and those transactions go from hours of work to minutes.

A small upfront investment here pays off every month. If you're categorizing the same subscription charges by hand month after month, stop, set up a rule, and move on.

09

The Monthly Finance Rhythm

Clean books only help if you actually look at them on a regular schedule. The founders who make the best financial decisions aren't the ones with the fanciest dashboards. They're the ones with a repeatable rhythm for reviewing their numbers and asking the right questions.

Here's a monthly finance rhythm built for ecommerce businesses. Aim to finish it within the first 10 business days after each month closes.

When	What	Why It Matters
Days 1 to 3	Reconcile all bank and credit card accounts. Clear any unmatched transactions.	This is the foundation. Nothing else holds up until reconciliation is done.
Days 2 to 4	Review settlements from every sales channel. Make sure fees, refunds, and adjustments are categorized properly.	If your channel data is wrong, your revenue and fee numbers are wrong.
Days 3 to 5	Update inventory counts or estimates. Book COGS adjustments based on actual counts.	Keeps your gross margin grounded in real numbers. Catches shrinkage and cost drift early.
Days 5 to 7	Review accounts payable. Confirm all vendor bills are entered. Check for duplicates or missing entries.	Prevents surprises and keeps your expense picture complete.
Days 7 to 10	Review your P&L and balance sheet. Compare to last month. Flag anything that looks off.	This is where books become decisions. You're looking for signals, not only numbers.

Questions to ask yourself each month

- Did gross margin go up or down compared to last month? Do I know why?
- Are any expense categories growing faster than revenue?
- What did I spend on fees and platform costs this month? Is it trending up?
- Is my inventory balance growing faster than my sales? (That means cash is tied up in product.)
- Are there charges I don't recognize or vendors I'm not sure we still need?
- How much cash do I really have after upcoming payables?

10

5 Bookkeeping Mistakes Killing Your Margins

1. Treating Platform Deposits as Revenue

When your Shopify or Amazon payout hits the bank and gets booked as "Sales Revenue," your fees, refunds, and adjustments disappear into your top line. Revenue looks lower than it should, fees are invisible, and you have no idea what each channel is costing you. A settlement tool like A2X fixes this, and it should be one of the first things you fix.

2. Zero Inventory Tracking or Counting

This is the biggest one. Not bad tracking. No tracking. No counts, no system, no process. The founder has no idea what's on hand, what it cost, or whether the inventory number on the balance sheet has any connection to reality. You can't analyze what you've never measured. Even a rough quarterly count is far better than nothing, and nothing is what most founders have.

3. Never Reconciling (or Reconciling Quarterly)

Bank reconciliation is the most basic quality check in bookkeeping, and it's the one that gets skipped most. Every month you skip it, errors compound: duplicate transactions, missing entries, and phantom balances pile up. By the time you catch it, cleanup takes 3 to 5 times longer than it would have if you'd reconciled monthly. If you do nothing else from this playbook, reconcile every month.

4. A Bloated or Disorganized Chart of Accounts

We regularly see books with 150+ accounts, half of them duplicates or unused for a year. "Miscellaneous Expense" is a black hole. "Office Supplies" and "Office Expenses" are both active. There are three versions of a shipping account. A clean chart of accounts (40 to 60 accounts for most ecommerce businesses) makes your P&L readable, your categorization consistent, and your rules easier to build.

5. Not Using Built-In Automation

If you're categorizing the same subscriptions, rent, and vendor bills by hand every month, you're spending hours on work your accounting software can do in seconds. Bank rules, automatic matching, and recurring transactions exist for a reason. Setup takes an afternoon. The time savings add up every month after.

> **The common thread:** Every one of these mistakes leads to the same place: financial blindness. You're running your business without being able to trust the numbers. And when you can't trust the numbers, you're making decisions on gut feel. That works until it doesn't.

WHAT COMES NEXT

Want Professional Eyes on Your Setup?

If anything in this playbook made you think "I should probably look at that," we offer free discovery calls where we look at your books and give you honest, specific feedback. No pitch, no pressure.

We'll tell you what's working, what's not, and what to fix first, whether you work with us or not.

Monthly bookkeeping, cleanups, and A2X setup for ecommerce brands at every stage, across the US and Canada.

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