



# ACCOUNTING STRATEGIES FOR E-COMMERCE BUSINESS OWNERS

LaKendra McNair & Krisa Bly



GOLDEN TRIANGLE

**M&T** Bank



**EFS GROUP** PLLC  
CPAs | Business Advisors



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# AGENDA

## Welcome

- Karyn Miller, Director of Planning, Art, and Activation  
**Golden Triangle BID**

## Opening Remarks & Introduction

- LaKendra McNair, Vice President, Business Banking and Relationship Manager  
**M&T Bank**

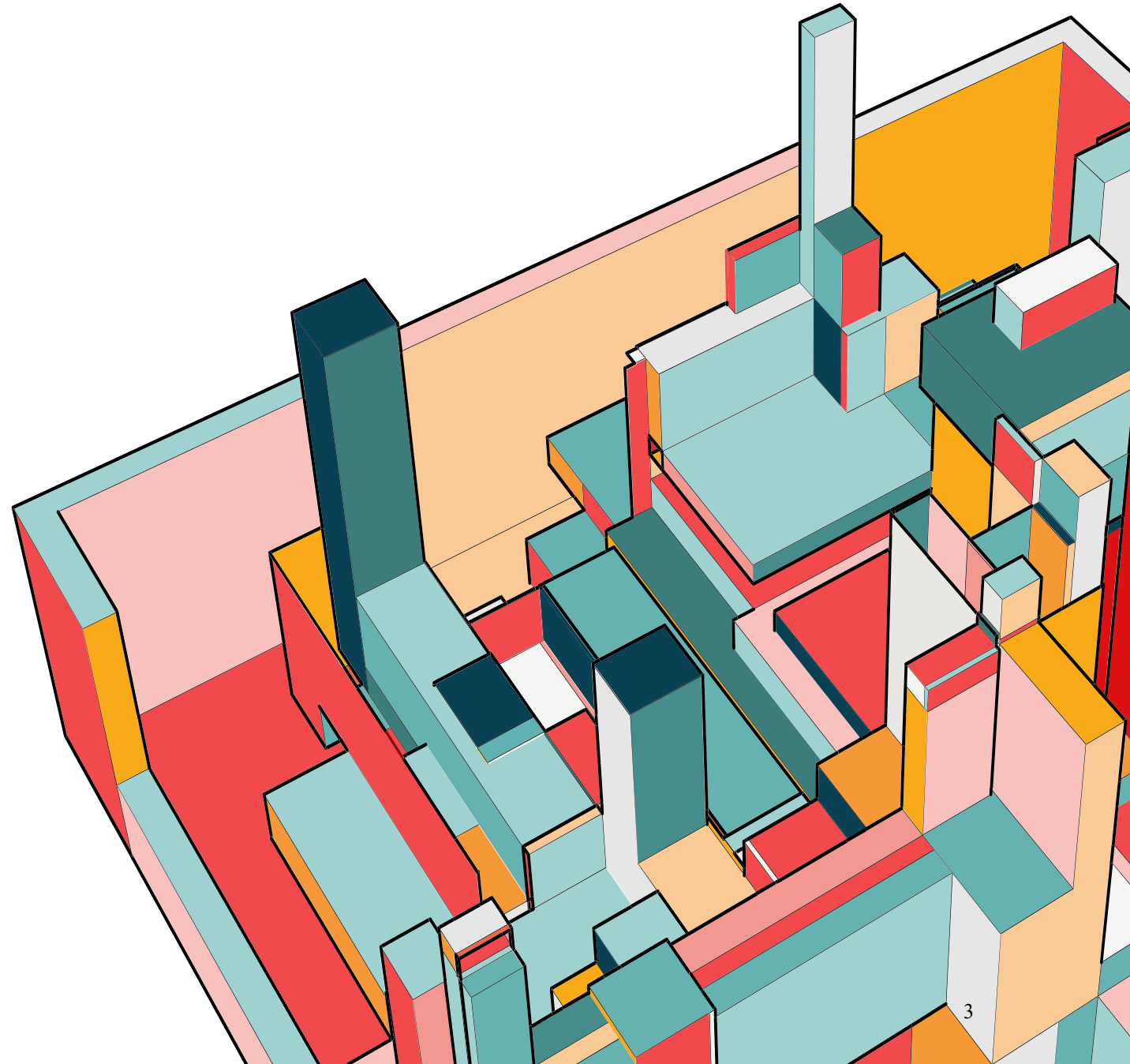
## Presentation

- Krisa Bly, Finance Manager  
**EFS Group PLLC**

## Q&A

## Closing Remarks

- Karyn Miller, Director of Planning, Art, and Activation  
**Golden Triangle BID**



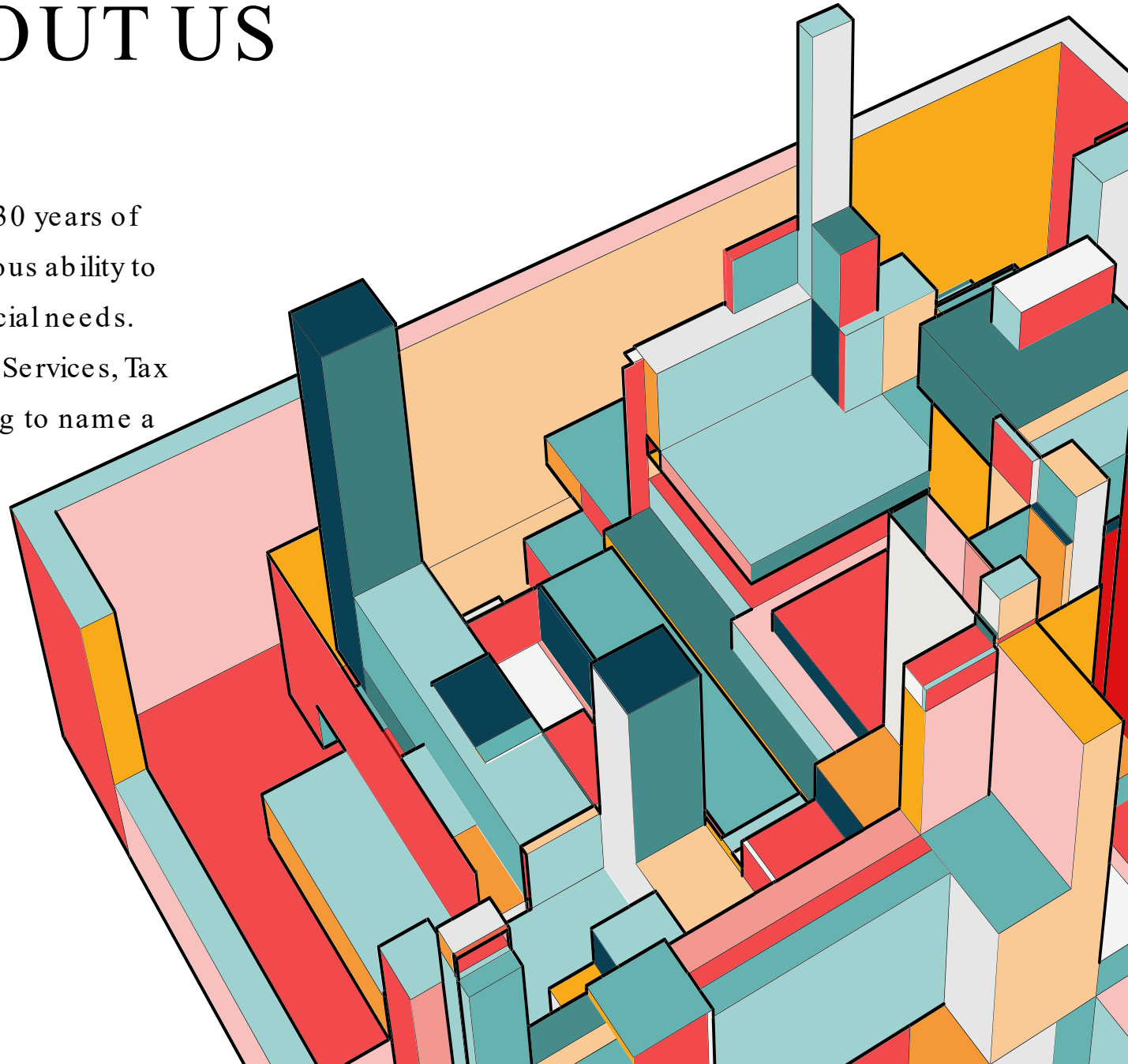
# ABOUT US



EFS Group is a team of Certified Public Accountants with over 30 years of combined experience. Our reputation stems from our continuous ability to build lasting relationships with our clients and solve their financial needs. Our specialties include monthly Bookkeeping and Accounting Services, Tax Preparation, Financial Strategy, Payroll, Budgeting & Forecasting to name a few.



M&T Bank is a multi-state community-focused bank founded in 1856. M&T Bank and its affiliates provide banking, investment, insurance, and mortgage financial services to consumer, business, and government clients. M&T Bank is recognized as a leader in business banking. We've long partnered with small businesses to help optimize their daily operations, whether they need working capital to grow their employee base or finance new equipment or a mortgage to buy a new building. M&T Bank the #1 SBA Lender in DC (2020).





# OVERVIEW

## WHAT ARE FINANCIAL STATEMENTS?

Profit and Loss, Balance Sheet and Cash Flow Statements- OH MY!

## INVENTORY VS. COST OF GOODS SOLD

What is the difference and how do I calculate cost of goods sold.

## E-COMMERCE STRATEGIES

Using Shopify to track and measure Gross Profit & When to scale

## IMPORTANCE OF BOOKKEEPING

We could go on and on.. 😊 Taxes, Funding and more

## FUNDAMENTALS TO CAPITAL FINANCING

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# WHAT IS YOUR INDUSTRY?

In the chat box, please let us  
know what industry you are in!



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# WHAT ARE FINANCIAL STATEMENTS?



Pro fit & Loss/  
Income Statement



Balance Sheet



Statement of Cash  
Flows

## Income Statement (Profit and Loss)

Demo Company (US)

For the 10 months ended October 31, 2021

Accrual Basis

Jan-Oct 2021

<b>Income</b>	
Sales	29,250.85
<b>Total Income</b>	<b>29,250.85</b>
<b>Cost of Goods Sold</b>	
Cost of Goods Sold	2,340.00
<b>Total Cost of Goods Sold</b>	<b>2,340.00</b>
<b>Gross Profit</b>	<b>26,910.85</b>
<b>Operating Expenses</b>	
Advertising	10,453.75
Automobile Expenses	708.35
Bank Service Charges	30.00
Consulting & Accounting	87.00
Dues & Subscriptions	1,478.78
Entertainment	53.60
General Expenses	234.19
Janitorial Expenses	119.08
Office Expenses	212.72
Payroll Tax Expense	1,337.44
Postage & Delivery	125.03
Printing & Stationery	100.41
Rent	3,543.75
Repairs and Maintenance	1,133.06
Telephone & Internet	145.87
Travel	276.90
Utilities	1,044.63
Wages and Salaries	17,885.00
<b>Total Operating Expenses</b>	<b>38,969.56</b>
<b>Operating Income</b>	<b>(12,058.71)</b>
<b>Net Income</b>	<b>(12,058.71)</b>

# PROFIT AND LOSS EXAMPLE

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Balance Sheet

Date: End of last month

Compare with

Oct 31, 2021

None

Filter

More

Update

Balance Sheet

Demo Company (US)  
As of October 31, 2021  
Accrual Basis

Oct 31, 2021

Assets	
Current Assets	
Accounts Receivable	9,172.63
Total Current Assets	9,172.63
Fixed Assets	
Computer Equipment	(829.87)
Office Equipment	3,628.91
Total Fixed Assets	2,799.04
Total Assets	11,971.67
Liabilities and Equity	
Liabilities	
Current Liabilities	
Accounts Payable	10,291.84
Checking Account	4,946.33
Historical Adjustment	4,130.98
Sales Tax	2,655.38
Total Current Liabilities	22,024.53
Total Liabilities	22,024.53
Equity	
Current Year Earnings	(12,058.71)
Retained Earnings	2,005.85
Total Equity	(10,052.86)
Total Liabilities and Equity	11,971.67

BALANCE SHEET  
EXAMPLE

## Statement of Cash Flows

Date range: Custom

Compare with

Jan 1, 2021

Oct 31, 2021



None



Filter



Update

### Statement of Cash Flows

Demo Company (US)

For the 10 months ended October 31, 2021

Jan-Oct 2021

#### Operating Activities

Receipts from customers	23,783.92
Payments to suppliers and employees	(32,178.73)
Cash receipts from other operating activities	(160.87)
<b>Net Cash Flows from Operating Activities</b>	<b>(8,555.68)</b>

#### Investing Activities

Proceeds from sale of property, plant and equipment	2,569.00
Payment for property, plant and equipment	(4,308.13)
<b>Net Cash Flows from Investing Activities</b>	<b>(1,739.13)</b>

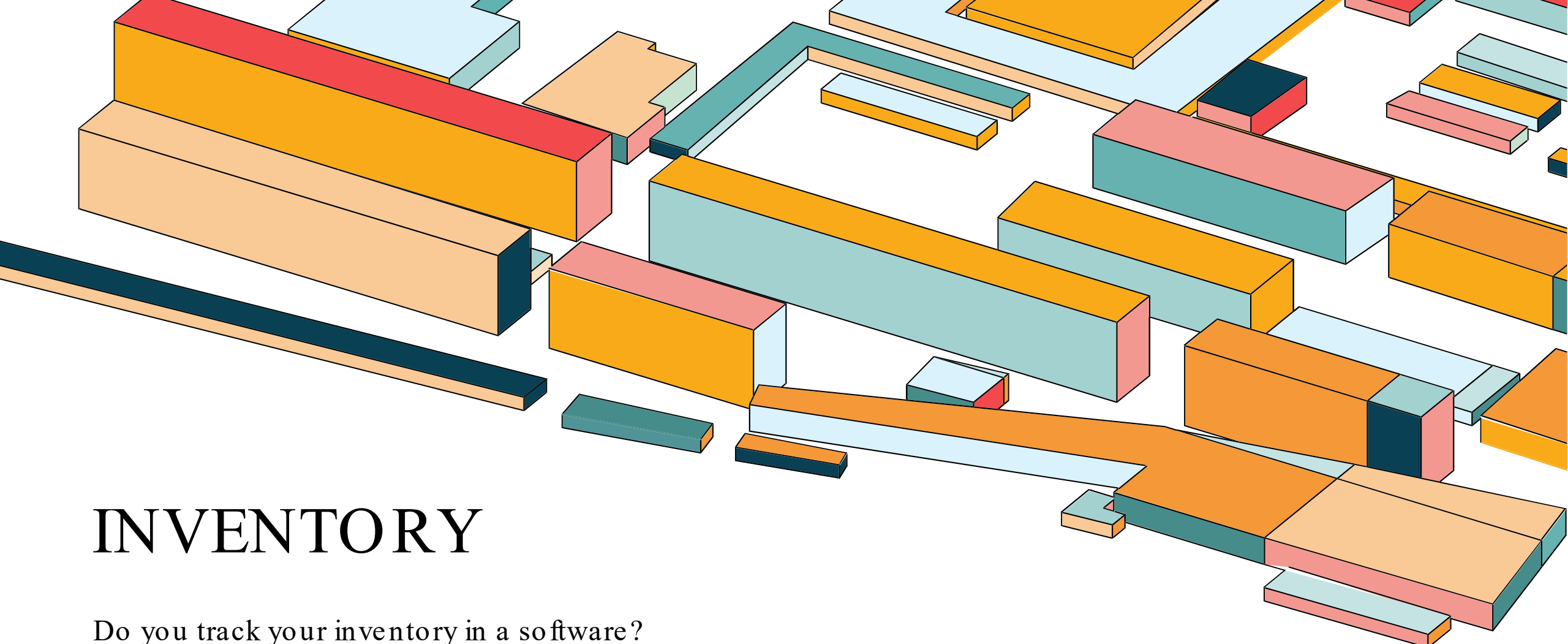
#### Net Cash Flows

(10,294.81)

#### Cash and Cash Equivalents

Cash and cash equivalents at beginning of period	5,348.48
Net cash flows	(10,294.81)
Cash and cash equivalents at end of period	(4,946.33)
<b>Net change in cash for period</b>	<b>(10,294.81)</b>

# CASH FLOW EXAMPLE



# INVENTORY

Do you track your inventory in a software?  
How often do you count your inventory?

Let us know in the chat!

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# INVENTORY VS. COST OF GOODS SOLD (COGS)



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## Inventory

Located on the balance Sheet, Inventory is an ASSET. This is what it costs you to buy all of the inventory you have on hand.



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## COGS

Located on the Income Statement, COGS, are the value of the inventory that you have already sold.



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## Importance!

Pricing  
Business Health  
Asset Value (insurance)  
Owners Equity

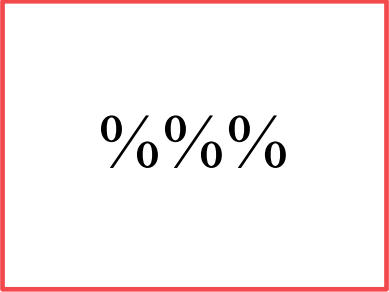
# E COMMERCE STRATEGIES

## HOW TO USE SHOPIFY TO CREATE FINANCIAL REPORTS



\$\$\$

Calculate your cost per item  
from your receipts from  
inventory purchases



%%%

Input your cost per item into  
Shopify's products section  
EVERYTIME you input a new  
item and add the inventory  
count



😊😊😊

Pull your Finance Summary  
report from Shopify Analytics to  
see your gross profit monthly

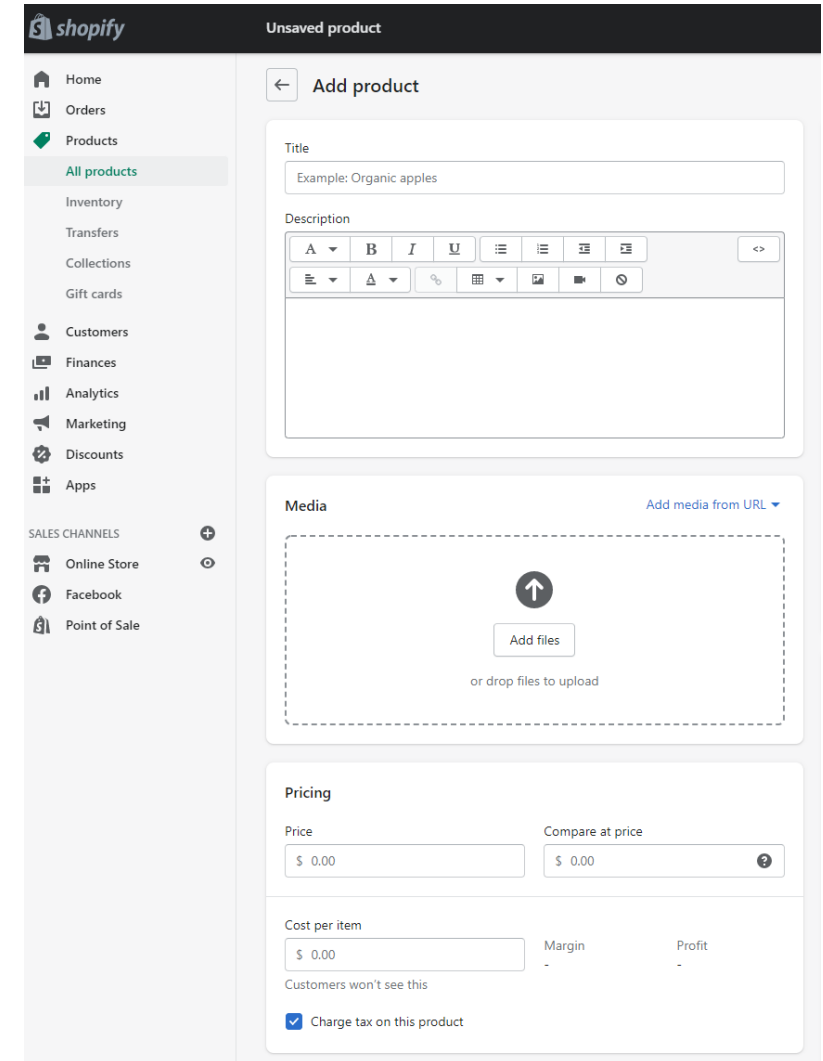
# SHOPIFY GROSS PROFIT CALC

1.Shop ify Le ft Menu

2.Products

3.Add Products

4.Input all information  
**INCLUDING COST PER  
ITEM**



The screenshot shows the Shopify 'Add product' interface. On the left is a sidebar menu with categories like Home, Orders, Products (highlighted), Inventory, Transfers, Collections, Gift cards, Customers, Finances, Analytics, Marketing, Discounts, and Apps. Below these are 'SALES CHANNELS' including Online Store, Facebook, and Point of Sale. The main content area is titled 'Unsaved product' and 'Add product'. It contains fields for 'Title' (with an example 'Organic apples'), a rich text editor for 'Description', a 'Media' section for uploading images, and a 'Pricing' section. The pricing section includes fields for 'Price' and 'Compare at price', both set to '\$ 0.00'. Below these are fields for 'Cost per item' (set to '\$ 0.00'), 'Margin', and 'Profit'. A checkbox at the bottom is labeled 'Charge tax on this product' and is checked.

# SHOPIFY GROSS PROFIT REPORT

1. Shopify left hand menu  
choose ANALYTICS
2. >REPORTS
3. Under Finances Choose  
FINANCE SUMMARY

***NOTE: items without cost recorded are missing cost per item. Every single sale and product needs a Cost Of Goods Sold***

The screenshot displays the 'Finances summary' page in Shopify. It features four main sections: Sales, Payments, Liabilities, and Gross profit. The 'Sales' section lists Gross Sales, Discounts, Returns, Net Sales, Shipping, Taxes, and Total Sales. The 'Payments' section lists Cash, PayPal Payments Standard, Shopify Payments, and Total payments. The 'Liabilities' section lists Gift card sales, Gift cards outstanding balance, and Tips. The 'Gross profit' section lists Net sales, Net sales without cost recorded, Net sales with cost recorded, Cost of goods sold, and Gross profit. A yellow star highlights the 'Net Sales' value in the Sales section and the 'Net sales' value in the Gross profit section. A yellow underline highlights the 'Net sales without cost recorded' and 'Cost of goods sold' rows in the Gross profit section.

Finances summary	
All channels ▾	
<strong>Sales</strong>	
Gross Sales	\$1,918.72
Discounts	-\$2.00
Returns	-\$14.99
Net Sales	\$1,901.73 ★
Shipping	\$129.40
Taxes	\$141.19
Total Sales	\$2,172.32
<strong>Payments</strong>	
Cash	\$16.23
PayPal Payments Standard	\$248.92
Shopify Payments	\$1,959.27
Total payments	\$2,224.42
<strong>Liabilities</strong>	
Gift card sales	\$0.00
Gift cards outstanding balance (on Sep 17)	\$0.00
Tips	\$52.10
<strong>Gross profit</strong>	
Net sales	\$1,901.73 ★
Net sales without cost recorded	\$44.97
Net sales with cost recorded	\$1,856.76
Cost of goods sold	\$219.48
Gross profit	\$1,637.28

# GROWTH STRATEGY

How to scale in the future

## INCREASE SALES AND VOLUME

Is my business growing or are we  
going through a busy season?

SEASONALITY is key to  
differentiating growth and  
opportunity

## 90 DAY RULE

You need to see 3 months worth of  
NET profit (profit after cost of goods  
sold AND operating expenses i.e.,  
shipping, fees, software, ads...) to  
make moves. If you can afford it the  
last 3 months, you can absorb it the  
next 3 months

## TEAM, SYSTEMS & PROCESSING

It is now time to hire, delegate and  
automate your systems and  
processes? If a system can take  
over, start there. Start to delegate  
the things you don't LOVE.



# IMPORTANCE OF BOOKKEEPING



LENDING

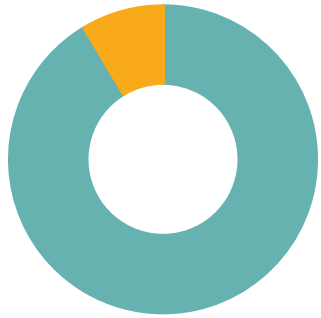
FINANCIAL  
FREEDOM



TAXES



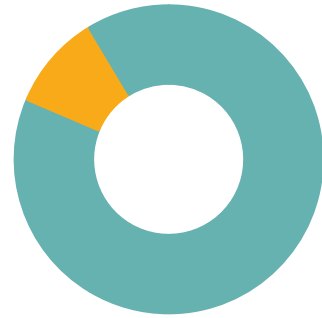
# UNDERSTANDING WORKING CAPITAL LOANS!



INVESTOR  
LOANS

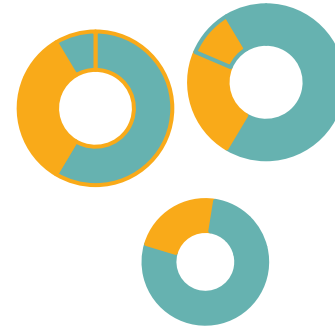
\$??,???

Portion of your  
companies equity is  
given to investor



TRADITIONAL  
LENDING

Loans  
Line of Credit



% of Revenue

\$5,000



SHOPIFY LOANS

Monthly payment  
changes based on  
sales, unpredictable

# DOCUMENTATION FOR THE LOAN

## Personal Financial Statement

**Personal Background** – You will need to provide personal information on the application.

## Business Overview

**Business Plan** – All loan programs require a sound, detailed business plan. The business plan should include:

- Complete set of projected financial statements
- In-depth, five-year projected financial statement
- Cash flow and balance sheet

**Business Summary**- Business older than three years require a business overview to include COVID impact on business, vendors, industry. Risk Mitigation Plan.

## Resumes

Beside submitting your resume, you will need to submit professional resumes of each principal.

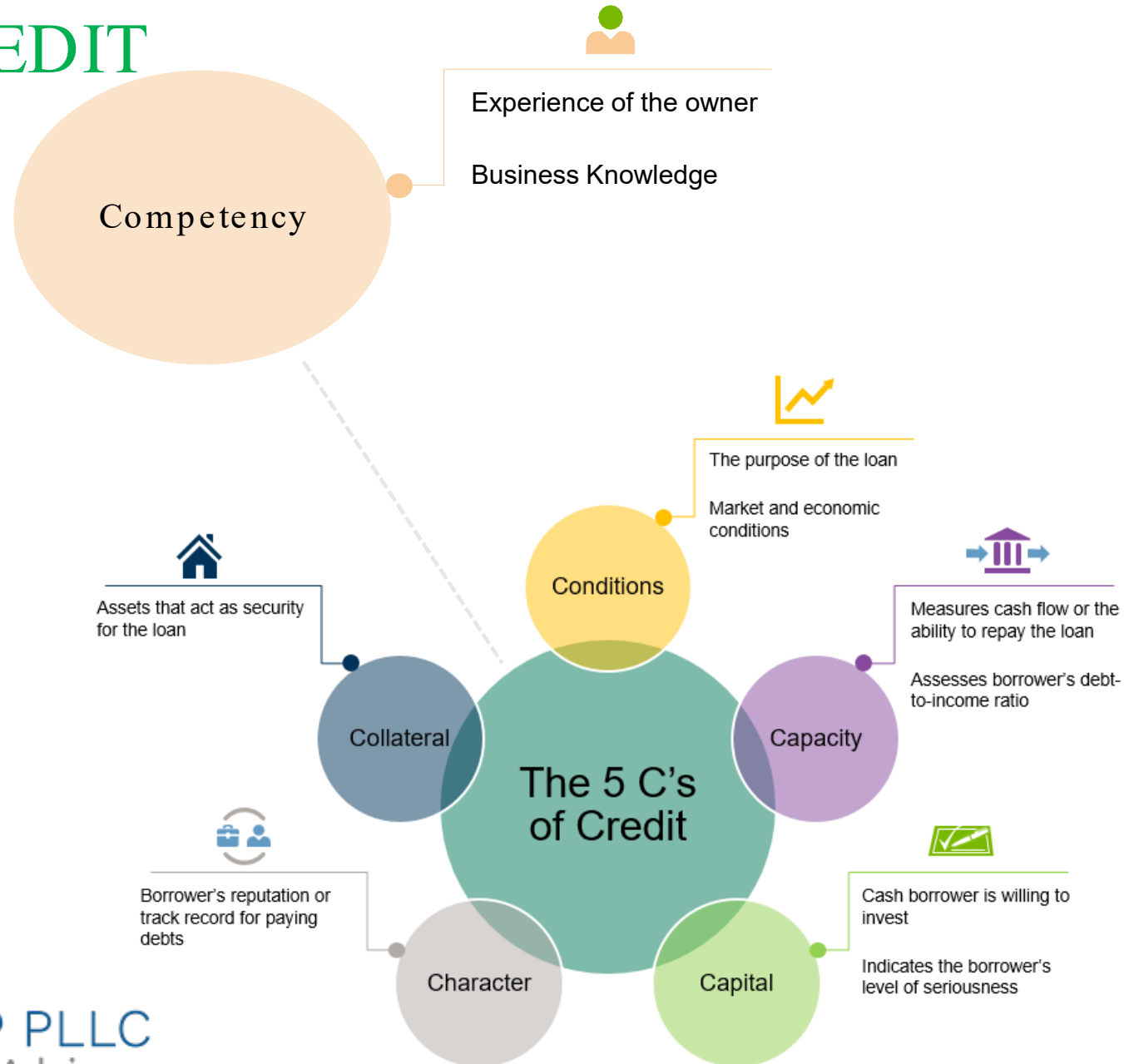
## Financials

**Income Tax Returns** – Most lenders require applicants to submit personal and business income tax returns from the previous three years.

**Financial Statements**- Balance Sheet, Profit & Loss, Cash Flow, and if applicable a Debt Schedule.



# 6 C'S OF CREDIT



# SUMMARY


DO YOUR HOMEWORK ON YOUR INDUSTRY

KNOW YOUR NUMBERS-HOW DO THEY COMPARE  
TO YOUR INDUSTRY AVERAGES

BE TRANSPARENT – GOOD, BAD, & UGLY

“WHO” IS MUCH MORE IMPORTANT  
THAN “HOW MUCH”



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# QUESTIONS?

# THANK YOU



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