

E-COMMERCE

ACCOUNTING & RECONCILIATION

E-COMMERCE

"Ecommerce" or "electronic commerce" is trading of goods and services on the internet.

It is your bustling city centre or brick-and-mortar shop translated into zeroes and ones on the internet superhighway.

An estimated [2.14 billion people worldwide](#) buy goods and services online.

Normal vs. Ecommerce Accounting

Accounting is the practice of tracking and recording transactions and categorizing each one as either income or expense.

Ecommerce accounting is the practice of recording, organizing, and managing all of the financial data and transactions relevant to the operation of an ecommerce company.

BOTH ARE SAME, RIGHT?

YES, still it is often found that one can get lost in accounting procedure for Ecommerce easily, particularly if you are new to business of ecommerce.

SOURCES OF INFORMATION

NORMAL ACCOUNTING

- Offline Transactions: E-Invoice or Physical Invoices both sales and purchases including debit and credit notes

ECOMMERCE ACCOUNTING

- Offline Transactions: E-Invoice or Physical Invoices both sales and purchases including debit and credit notes
- Online Sales Transactions: Different market places like Amazon, Flipkart, etc
- Self-Commerce i.e. own website which can be integrated with service providers like Shopify, Wix etc

NORMAL ACCOUNTING

- Expenses: Physical Invoices and Vouchers
- TDS deducted in 26AS

ECOMMERCE ACCOUNTING

- Expenses: In addition to physical invoices and vouchers, expenses like advertisement, shipping, commission from different marketplaces and different online service providers.
- In addition to 26AS, GST TDS and TCS credit.

RECORDING SALES

NORMAL ACCOUNTING

- Interstate and Intra State
- B2B and B2C (state wise)
- Branch Transfer: Offline
- Returns
- TDS/TCS applicability on bigger clients under income tax
- HSN Wise Summary
- Documents Issued

ECOMMERCE ACCOUNTING

- Interstate and Intra State
- B2B and B2C (state wise)
- Branch Transfers: Both Online and offline. Inter-branch transfer done by marketplaces
- Returns, Cancellation, Return Cancellation etc
- TDS/ TCS applicability not only under income tax but also GST Act from day 1 by all the marketplaces
- HSN wise summary consolidation from different market places
- Documents issued as per marketplaces to be consolidated

TDS / TCS– INCOME TAX

NORMAL ACCOUNTING

- TDS is deducted at the time of payment or credit whichever is earlier
- Payment is done post deduction of taxes

ECOMMERCE ACCOUNTING

- TDS needs to be deposited separately. Deduction is not done as payment is received after deducting expenses.
- TDS deposited and claimed are reimbursed to the seller in next payments.
- Need to maintain proper records of the TDS reimbursement. Claiming the TDS back from the Marketplaces is additional process.

TDS / TCS - GST

NORMAL ACCOUNTING

Applicable only in case of specified business

ECOMMERCE ACCOUNTING

Recoding TDS/TCS Portal wise

Matching the TDS/TCS returns with the sales and claiming the same in cash ledger is an additional process.

ACCOUNT CONFIRMATION

NORMAL ACCOUNTING

Ledger confirmation:
Vendors
Reconciliation statement:
Bank

ECOMMERCE ACCOUNTING

Ledger confirmation:
Vendors and
marketplaces
Marketplaces do not issue
any ledger reports, they
have reports for specified
periods.
Reconciliation statement:
Bank, marketplaces,
online service providers
etc

ECOMMERCE ACCOUNTING PROCESS:


The Step by Step process to be followed in Ecommerce
Accounting Process

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Download Excel version of sales report




Bifurcate the reports in sales and return (Marketplaces like flipkart has sub category of Sales– Return– Return/Cancelled)



Invoice value includes shipping cost, gift wrap charges etc which are sometimes reimbursed and sometimes born by the marketplaces etc. we need to check the same to determine the correct values.

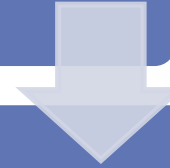


Checking the quantity ordered and shipped. For example in Ajio we have ordered quantity and shipped quantity mentioned together

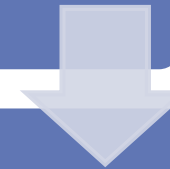


Enter the same in books of accounts with sales/returns, GST, TCS, shipping cost, gift wrap and other expenses

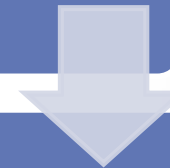
Download all the invoices for expenses and enter the same in books of accounts



TDS calculation on the expenses



Transfer the expenses of the marketplaces in amount receivable head



TCS (GST) to be checked from the GST portal



Matching the GSTR 2B records


Claiming TDS from the marketplaces on quarterly basis




Entry of TDS under section 194O and matching with 26AS



Costing to be calculated as per the sales and returns sheets



Inventory value to be calculated with Cost allocated to the same



Preparation of MIS

POINTS FOR STOCK VALUATION

- Stock Valuation is required both for COGS and Inventory Valuation for the MIS
- Creating a Master List for all the Unique SKUs (Stock keeping unit)
- All inwards should be according to Unique SKU
- All Outwards shall be mapped to the Unique SKU, all marketplaces has different SKU naming process, we need to make a track of all the names given to Unique SKU

RECONCILIATION

PAYMENT AND INVENTORY RECONCILIATION



PAYMENT RECONCILIATION

E-commerce payment reconciliation is an important financial process that involves matching and verifying the transaction records of an e-commerce business with the payment data received from payment gateways, banks or other financial institutions. The purpose of e-commerce payment reconciliation is to ensure that the transactions and the business records should match the amounts deposited into or debited from the business's bank account, and to identify and resolve any discrepancies.

STEPS

Collecting Data

- Gather transaction data: Begin by collecting all of the transaction data from your e-commerce platform. This includes transaction amounts, dates, customer information and payment methods.
- Collect financial statements: Obtain bank statements, payment gateway reports and any other relevant financial documents. These statements should cover the same time frame as the transaction data you collected from your e-commerce platform.

Matching transactions

- Pair records: Go through each transaction recorded in your e-commerce platform and find the corresponding entry in your bank or payment processor statement. Match them based on amount, date and any other relevant details.
- Track fees: Make sure that you account for transaction fees, processing fees or any other charges that the payment gateway or acquiring bank may have deducted.

Identifying discrepancies

- Spot mismatches: If you find any transactions that does not match when comparing the two sets of records, flag them for further investigation.
- Handle time lags: Sometimes transactions are not reflected immediately in bank statements. Be aware of potential time lags and account for them properly.

Investigation and resolution

- Understand the cause: Investigate each discrepancy to find the cause. The reason might be processing errors, chargebacks, refunds or fraud.
- Communicate with relevant parties: To understand the specifics of certain transactions that you might need to communicate with your payment processor, merchant account provider or payment gateway.
- Correct errors: Once you understand the cause of a discrepancy, correct any errors in your records or communicate with the bank or payment processor if the error is on their side.

Reporting

- Create summaries: Create summary reports of the reconciliation process, including details of matched transactions, discrepancies you identified and any adjustments you made.
- Share reports: Depending on your organisation's practices, you may need to share these reports with management, the finance team or other stakeholders.

Record-keeping

- Documentation: Keep a detailed record of each step in the reconciliation process, including any communication with third-party payment providers and any corrections you have made.
- Filing: File all supporting documents securely, ensuring that they are easily retrievable for future reference or audits.

Process improvement

- Analyse trends: Analyse the trends and patterns in the discrepancies and issues that you identified during the reconciliation process.
- Implement improvements: Use this analysis to identify areas where you can make the process more efficient, and implement changes accordingly.
- Automation: Consider using software tools or services that can automate parts of the reconciliation process, which will reduce the manual effort required and minimise possible errors.

Remember that e-commerce payment reconciliation is not a one-off activity but an ongoing process that supports the financial health and integrity of your business. Reconciling your transactions on a regular basis helps you keep accurate financial records, detect and respond to fraud early and ensure compliance with legal and tax requirements everywhere your business operates.

CALCULATION OF RECEIPTS:

- Sales – Commission – shipping – others
- Commission is based on the product category, which needs to be checked time to time. For example Eye Mask can be covered under 1. Medical 2. Home 3. Personal Consumable in all the 3 cases commission differ.
- Shipping is based on 2 things shipped from and shipped to and second is volumetric weight
- Others are fixed cost per order id wise
- Less: returns cost (shipping and reverse shipping), also the lost in transit which we need to claim from the marketplaces.

OTHER FACTS TO BE KEPT IN MIND

- Goods lost in transit by the marketplaces are reimbursed to the seller. The same shall be considered as sales in books of accounts.
- Retained earning kept on hold by the marketplaces should be as per the agreement.
- Inventory should be adjusted location wise, slow moving inventory should be tracked.

THANK YOU

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