

# ECOMB 101 – E-Commerce Accounting Basics

---

## Comprehensive Outline

---

### Course Goal

Build a clean foundation for e-commerce bookkeeping by learning **how online sales really flow** (gross sales → fees/refunds → net payouts), how to structure the **chart of accounts**, and how to avoid the most common “messy books” problems.

---

### 1) Orientation: How E-Commerce Bookkeeping Is Different

#### Key concepts

- Sales platforms and processors don’t deposit “sales” — they deposit **net payouts**
- Payouts bundle: sales, sales tax, shipping income, discounts, fees, refunds, chargebacks
- The bookkeeper’s job: capture **gross activity** and reconcile to **net deposits**

#### Platform flow map (simple)

Step	What happens	What bookkeeper needs
Customer pays	Platform/processor records order	Order totals + taxes + shipping + discounts
Processor deducts fees	Stripe/PayPal/marketplace fees withheld	Fee detail (processing + marketplace fees)
Refunds/chargebacks occur	Funds reversed + extra fees possible	Refund/chargeback report
Platform pays out	Net deposit hits bank	Payout statement + bank match

---

## 2) Accounting Basics for E-Commerce (Must-Know Terms)

### Topics

- Cash vs accrual (and why many e-com businesses still *book* on accrual even if taxes are cash)
- Revenue vs deposits (gross sales  $\neq$  bank deposit)
- Expenses vs COGS (COGS is product cost; shipping/ads are operating costs)
- Assets, liabilities, equity in an e-commerce context

### Quick classification table

Item	Usually treated as	Why
Inventory	Asset	Future sale value
COGS	Expense (cost of sales)	Matched to sales
Sales tax collected	Liability	Owed to state or remitted by marketplace
Gift cards sold	Liability	Not earned until redeemed
Merchant fees	Expense	Cost of collecting payments

## 3) Chart of Accounts Setup (Core E-Commerce COA)

A clean COA is what makes reporting easy later.

### Recommended COA (starter)

Category	Account examples	Notes
Income	Product Sales, Shipping Income, Discounts (contra-income), Returns/Refunds (contra-income)	Keep <b>gross sales</b> visible
COGS	Product COGS, Freight-in/Landed Costs (optional)	Don't bury in "supplies"
Fees	Payment Processing Fees, Marketplace Fees	Separate if possible
Fulfillment	Shipping Labels, 3PL/Fulfillment Fees, Packaging	Helps margin analysis
Marketing	Ads (Meta/Google), Marketplace Ads, Influencers/Affiliates	Big driver of profit
Taxes	Sales Tax Payable	Liability, not revenue
Assets	Inventory, Undeposited Funds/Clearing, A/R (if invoicing)	Clearing is crucial
Liabilities	Gift Cards Payable, Loans, Sales Tax Payable	Track obligations

### 4) The Clearing Account Method (The #1 Skill)

#### Why use a clearing account?

Because the bank only shows **net payouts**, but books need **gross sales** + fees + refunds.

## Clearing account workflow

Event	What you record	Where it goes
Record gross orders	Sales + sales tax + shipping	Clearing account increases
Record fees/refunds	Fees + refunds	Clearing account decreases
Record payout deposit	Bank increases	Clearing account decreases
Result	Clearing account should net to ~0 for the period	If not, something missing

## 5) Core Transaction Examples (with simple entries)

### Example A: One order (gross sale)

Customer order total: **\$120**

- Product: \$100
- Shipping charged: \$10
- Sales tax collected: \$10

### Record the sale (gross)

Account	Debit	Credit
Clearing (Shopify/Stripe/PayPal)	120	
Product Sales		100
Shipping Income		10
Sales Tax Payable		10

### Example B: Processor fees withheld

Processing fee: **\$3.60**

Account	Debit	Credit
Payment Processing Fees	3.60	
Clearing		3.60

### Example C: Net payout hits bank

Net deposit received: **\$116.40**

Account	Debit	Credit
Bank	116.40	
Clearing		116.40

☒ Clearing nets to zero for this transaction set ( $120 - 3.60 - 116.40 = 0$ ).

### 6) Gross vs Net: What NOT to Do (Common Mistakes)

Mistake	Why it breaks books	Correct approach
Booking bank deposit as "Sales"	Understates fees/refunds; hides gross revenue	Use clearing account method
Putting sales tax into income	Overstates revenue and taxes	Record as Sales Tax Payable
Mixing COGS with shipping/ads	Destroys gross margin reporting	Keep COGS separate
Ignoring refunds/chargebacks	Clearing won't reconcile; profit inflated	Record refunds + related fees

## 7) Basic COGS Concept (Intro Only in 101)

ECOMB 101 introduces the “what” and “why” (detailed inventory math is in ECOMB 110).

### COGS basic idea

- When product sells, you move cost from **Inventory (asset)** to **COGS (expense)**

### Mini-example

- Product cost: \$35

#### Account Debit Credit

COGS     35

Inventory         35

---

## 8) Reports Bookkeepers Use in ECOMB 101 (What to Pull)

Report	Used for	Where from
Orders/Sales Summary	Gross sales, tax, shipping, discounts	Shopify/Amazon/Etsy
Payout/Settlement Report	Netting: fees/refunds/adjustments	Stripe/PayPal/Marketplace
Fee Detail	Processing and marketplace fees	Processor/marketplace
Refunds/Disputes report	Refunds, chargebacks, dispute fees	Processor

---

## 9) Week/Module Deliverables (Student Outputs)

By the end of ECOMB 101, students should produce:

- A basic **e-commerce chart of accounts**
- A working **clearing account workflow**
- Clean entries for: **gross sale, fees, payout deposit**
- A short **reconciliation check** (clearing balance explained)

**Simple “close check” table**

<b>Check</b>	<b>Target</b>	<b>If not</b>
Clearing account balance	Near \$0 (or explained timing difference)	Missing fees/refund/payout
Sales tax payable	Matches reports	Tax booked as income or missed
Fees total	Reasonable % of sales	Fees hidden in deposits