The Essential Ecommerce Bookkeeping Checklist

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Congratulations on taking the next step in your ecommerce (or ecommerce bookkeeping) growth journey.

By downloading this checklist and implementing these actions in your business, you are putting the necessary processes in place to empower your financial success at a larger scale.

In the chapters that follow, and with our accompanying worksheet, we pull back the hood on the bookkeeping best practice processes that an ecommerce business located in the United States or Canada should be carrying out every week, month, quarter and year.

This resource is designed for teams running ecommerce businesses and ecommerce bookkeeping firms. Simply select the processes that matter to your business (or clients), add any other processes that are specific to your operations, remove the remaining tasks and assign them to your team.

In this document:

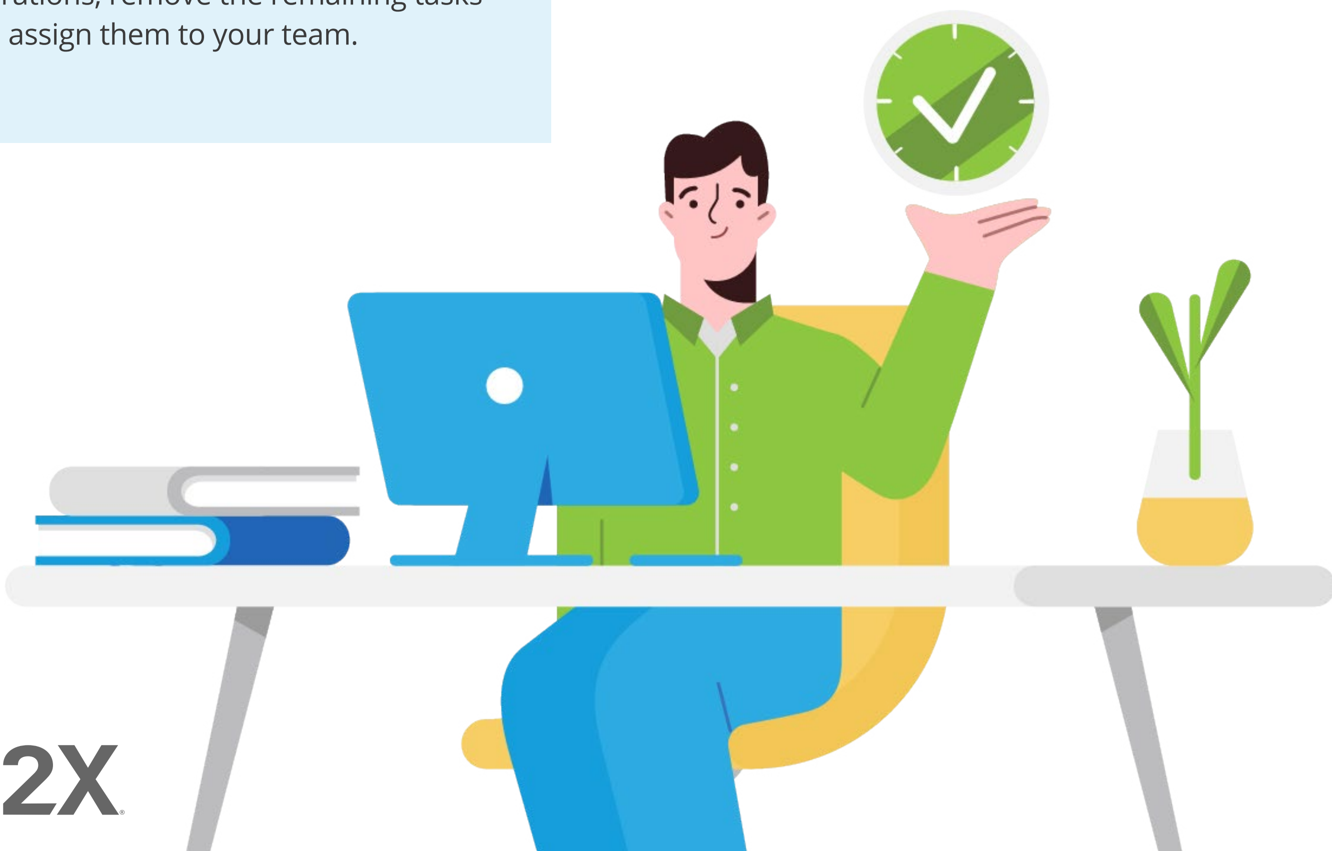
- Why bookkeeping is important and the benefits of documenting your processes.
- An explainer for how to use this checklist in your business.
- A list of financial processes that your team should be actioning - categorized by area of business and priority level.

Weekly processes

Monthly processes

Quarterly processes

Annual processes



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Why is bookkeeping important for ecommerce businesses?

- Pay less tax
- More profitable
- More attractive to buyers
- Less risk
- Better performance visibility
- Lower accountant fees

Benefits of documenting your processes

Benefit	For Ecommerce Sellers	For Accountants & Bookkeepers
Error proof	✓	✓
More scalability of business	✓	✓
More efficiency	✓	✓
Less reliance on key staff	✓	✓
Better capacity planning	✓	✓
Increases profitability	✓	✓
Simplifies training new hires	✓	✓

How to use this checklist in your business

Depending on the nature of your company, the stage of your growth and other variables, some of the tasks in here may or may not be relevant to your situation.

That said, we have designed this resource to be comprehensive so that you can pick and choose the processes that are most appropriate for your current and future needs.

This checklist is categorized in three ways:

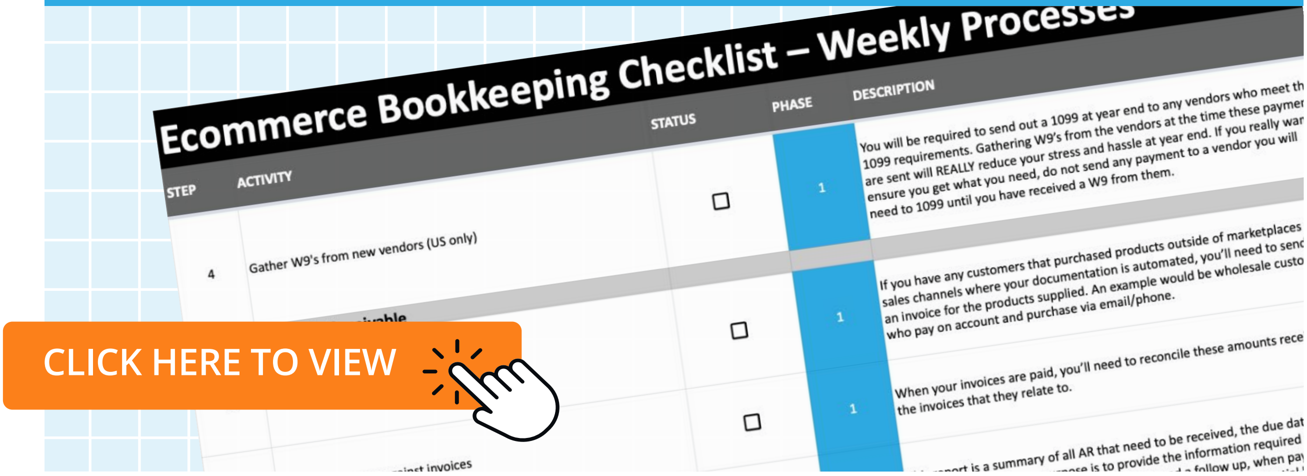
1. **Timeframe** - weekly, monthly, quarterly and annually.
2. **Nature of the work** - general bookkeeper/controller, ecommerce channel activity, inventory, sales tax, payroll, accounts payable (AP), accounts receivable (AR) and CFO/strategic.
3. **Order of priority** - phase 1, phase 2 and phase 3.

1 2 3 *Look out for these icons throughout the document. They indicate the order in which you should implement these processes if you aren't doing them already. Because there are a wide range of activities that we recommend doing, this helps to ensure that you focus on the right priorities at the right time.*

To use this checklist:

1. Read through the descriptions below in conjunction with our worksheet.
2. Download or make a copy of the worksheet.
3. Add or remove any processes relevant to your business needs.
4. Assign the work to your bookkeeper, assistant or relevant employee(s).
5. When the work is complete, you can use this checklist to review and ensure that all tasks were carried out correctly.

Weekly processes



General Bookkeeper/Controller

PHASE CHECK

1. Enter all inventory bills into accounting system or inventory app — 1

When you purchase inventory, it's important to pull this information into your tech stack. If you're using an inventory app that's integrated with your accounting system, pull the bills into here. Otherwise, you can bring your inventory bills into the accounting system and categorize it as purchases.

2. Enter remaining bills for overhead or general expenses into accounting software — 1

If there are any other bills that you haven't yet brought into the accounting system, now is the time to enter them and categorize according to the account they belong to.

3. Code outstanding transactions from bank accounts and credit cards into the accounting system — 1

This is the foundation of all accounting and in many simple businesses, this is all you need to do besides account reconciliations. We highly recommend syncing your bank account and credit cards to your accounting system to make this process much easier and faster. This process allows you to pull in the financial activity of the businesses and choose the bucket you want it to fall into from your Chart of Accounts and ultimately control how it shows up on your financial statements.

	PHASE	CHECK
4. Email client with any questions on weekly transactions If you are an outsourced accounting solution for an ecommerce business, you will see transactions come through that you don't know how to code. We recommend coding these questions to an account like "Ask my Client" so you can move forward with reconciliations and other month-end closes without these questions becoming a bottleneck. This also allows you to then export a report from the account and send it directly to your client to make it easy for them to answer your questions.	1	☐
5. Publish all receipts from receipt app to accounting system or gather receipts manually Gathering receipts is not always necessary for accounting to happen because the transactions pass through the bank accounts and credit cards. But they do help with record keeping, supporting audits if they happen, and allowing questions to be more easily answered. Gathering receipts manually can be very time consuming but there are receipt capture tools that can make this process easy and streamlined. They will pull in receipts and then attach them right to the transactions in QuickBooks or Xero.	2	☐

Ecommerce Channel Activity

	PHASE	CHECK
1. If you are using A2X, push over the channel settlements and match against bank deposits A2X summarizes all of the transactions that make up each payout from your sales channels and creates journal entries that can be matched against deposits hitting your bank accounts. This process is easy and can be done every week to cut down on month end close time. When it comes time to reconcile your A2X journal entries with payouts, it's as simple as just a few clicks!	1	☐

Inventory

	PHASE	CHECK
1. Review inventory levels By keeping track of how much stock you have available on a weekly basis, you can quickly identify potential shortages or overstocking and take actions to ensure that inventory levels are consistent and reliable. This can also be automated with an app like StockTrim.	1	☐

	PHASE	CHECK
2. Send out purchase orders for inventory you are ordering Purchase orders are how you communicate with your vendors what you would like to order from them. Once you know what you need to buy, you'll need to let your suppliers know by sending them purchase orders.	1	☐
3. Record pre-payments made for inventory and update for inventory received Inventory vendors often require a down payment, or prepayment on a purchase order before they will begin the order. These payments to inventory vendors are often coded into the books as inventory purchases, which then throw off the correct balance for inventory. This creates large inventory adjustments during counts when the balance in inventory does not match the inventory on hand. Prepayments should be coded as inventory pre-payments and then moved to the inventory account when the inventory is received and billed.	1	☐
4. Update inventory for items received but not billed Some vendors offer their customers payment terms where the seller receives the inventory but isn't billed until 30-60 days afterwards. Even though the bill has not been sent by the vendor, the customer still owns the inventory and should be accruing the expense. Failure to capture this activity results in misstatements on the balance sheet for inventory balances and large adjustments are required during inventory counts because the stocktake will show inventory items that are on hand, but show no financial impact in the books yet.	1	☐
5. Reconcile inventory received and inventory ordered with a receiving slip This is an often-overlooked step but very important to establish good inventory controls and processes. All inventory received into your warehouse or received by your 3PL should be reconciled against the purchase orders that ordered the inventory. This is the first step of good controls ensuring that when you get the bill to pay you are not paying for inventory you haven't received.	2	☐

PHASE CHECK

6. Reconcile inventory bills with receiving slip and the purchase orders before paying — Phase 2 ☐

This is the next step in good inventory control and processes but it's often overlooked as well. When you receive a bill from your vendor, that bill should be reconciled against the purchase order to verify that the inventory was ordered and that you are being billed for the correct quantity and price and reconciled against the inventory receiving slip to verify that it was received before the bill is paid.

7. Allocate landed costs across SKUs — Phase 2 ☐

When you import a selection of different SKUs in the same shipment, there are importation costs (such as freight, import duties, border fees and other procurement costs) which need to be factored into the cost price of each item. To do this, we recommend that you share the cost of these expenses across all the items you imported in the shipment it relates to.

Sales Tax

1. Collect sales tax for states that you have nexus in — Phase 1 ☐

Any state you have nexus in should be configured on all your sales channels to allow that sales tax to be collected at the time of sale. When sales tax is correctly collected at the time of sale, it does not become an out-of-pocket expense for the business. LedgerGurus offers a course on sales tax if you need additional guidance on this.

1.1. Record sales tax collected from various channel sales (Canada only) — Phase 1 ☐

Nexus isn't a commonly used term in Canada, but you should still record the sales tax that has been collected from every sales channel you operate on. If you sell into the US you may achieve nexus in the various states and have to complete the same steps as a US Entity. If you are only selling within Canada, you will have to watch for GST/HST and PST thresholds in the various provinces.

PHASE CHECK

2. Respond to correspondence from states — 1

You will periodically receive correspondence from states regarding sales tax. This correspondence should be responded to promptly to avoid fines and penalties.

2.1. Reply to any sales tax correspondence – provincial/federal (Canada only) — 1

In Canada, sales tax correspondence comes from the provincial/federal government instead of each individual state. Nonetheless, it is still important to respond promptly to avoid issues.

Payroll

1. Review hours in time-tracking app — 1

If you have hourly employees, you will need a way to keep track of the hours to run payroll. Do yourself a favor and keep track of this in an app that makes it easy for them to record and easy for you to gather and review. Even better if that app integrates with your payroll software and saves you time running payroll as well. Before running the payroll, you should review those hours to make sure the hours reported are reasonable and the employees reporting hours are still employed.

2. Sync time-tracking app with payroll app — 1

After all hours are confirmed and approved, the time tracking app should send the hours into your payroll app, if you have this option. If not, you'll need to manually import the data. Review to make sure all data imported looks clean and accurate.

3. Add new employees/review payroll increases as needed — 1

As your business grows and evolves, you'll need to hire more people and potentially give existing employees raises. When employment changes happen, you'll need to update your payroll accordingly. And of course, if employees have left, don't forget to update those in your payroll system.

	PHASE	CHECK
4. Receive client approval to run payroll If you are an outsourced accounting solution, you will need to verify with your client before running payroll to ensure that good controls and measures are in place. They should also be reviewing the reasonableness of hours worked and the people who are currently on payroll.	1	
5. Run payroll Once you've brought employee hours into your payroll app, checked that the numbers are reasonable, and received client approval to run the payroll (if applicable), it's time to proceed.	1	
6. Sync payroll app to accounting software or enter payroll processed information into accounting software manually After running the payroll, you'll need to bring this data into your accounting system. It's best if you can sync the payroll app automatically. If not, you'll need to manually import the processed information.	1	

Accounts Payable (AP)

1. Prepare and review AP report This report is a summary of all AP that need to be paid, the due date, amount, and vendor. It can be as simple as opening an AP balance summary if you are doing your own accounting and making decisions from that, or can be as involved as preparing a formal AP report if you are compiling the report for someone else who will be making decisions. Its primary purpose is to provide the information needed to make informed decisions about which bills need to be paid and the timing of those payments.	1	
2. Seek bill pay approval from appropriate parties If you are doing your own accounting work and paying your own bills, this step is about verifying the data yourself and moving forward. However, if you are preparing payments on behalf of someone else, you will need to seek approval on which bills to pay and when. Those who are providing bill pay approval need to consider whether the expense and vendor are valid, whether the services or goods billed have been received or rendered, and the cash timing of paying bills.	1	

PHASE CHECK

3. Pay bills

1

This process can take many different forms depending on your bill payment process. You may have a weekly check run, calling vendors with credit card numbers, paying through vendor provided portals, using a tool like Bill.com in the US, or Plooto in Canada, or using a bank bill payment service. Bill payments is an area of significant control risk to an organization, so every effort should be made to implement good internal controls around this function. Typically a minimum control is that the person who is responsible for generating supplier payments is separate from the employee who completes the month end bank reconciliations.

4. Gather W9s from new vendors (US only)

1

You will be required to send out a 1099 at year end to any vendors who meet the 1099 requirements. These requirements are typically any vendor who performs a service for you during the year totaling $600 or more in total payouts. Gathering W9s from the vendors at the time these payments are sent will REALLY reduce your stress and hassle at year end. W9s are documents that gather key information like name, address, and tax identifying numbers such as EIN's. If you want to ensure that you get what you need, do not send any payment to a vendor that you'll need to 1099 until you have received a W9 from them.

Accounts Receivable (AR)

1. Send out sales invoices

1

If you have any customers that purchased products outside of marketplaces and sales channels where your documentation is automated, you'll need to send them an invoice for the products supplied. An example would be wholesale customers who pay on account and purchase via email/phone.

2. Receive payments against invoices

1

When your invoices are paid, you'll need to reconcile these amounts received with the invoices that they relate to. If you are using an app like Shopify Payments to receive payments against manually issued invoices, make sure that you don't double count them!

	PHASE	CHECK
3. Prepare and review AR report This report is a summary of all AR that need to be received, the due date, amount, and customer. Its primary purpose is to provide the information required to make informed decisions around which customers need a follow up, when payments can be realistically expected to arrive, and a leading indicator of potential bad debts.	1	☐

CFO/Strategic

	PHASE	CHECK
1. Consider cash forecasting and adjust for future cash needs If you aren't already forecasting your cashflow, it's a good idea to start today. Understanding what you have coming in and going out (and when) is the cornerstone of ensuring that your business remains solvent as you grow, and can finance the cost of doing business.	1	☐
2. Forecast inventory needs and update purchasing plan Inventory is arguably the greatest asset in your product-based business. You need stock to sell, and for most companies, there are lead times to getting inventory on hand. Each week, you should review your inventory forecast and update your purchasing plan accordingly.	1	☐
3. Update cash flow projections with cash activity If you operate a cashflow forecast, you'll need to compare what you budgeted with what actually happened. This helps to check if you're on track, and to diagnose potential issues before they become problems.	2	☐
4. Review and calculate key KPIs KPIs (key performance indicators) are metrics that businesses use to track their performance at a high level. It allows leadership to stay on the pulse of what's happening in the business without needing to understand granular details. Examples of KPIs include gross profit margin, customer acquisition cost and inventory turnover rate. By identifying the most important KPIs for your business and tracking them on a weekly basis, you (or your client) can maintain a great overview of what's happening.	3	☐

Monthly processes

General Bookkeeper/Controller

PHASE CHECK

1. **Reconcile all bank account and credit card statements with accounting system activity**

   Phase: 1

   This step is very important but often skipped. It is the step that allows you to tie everything that's on the bank account and credit card statements to the activity showing up in your accounting system. It allows you to make sure that all the data is complete and that nothing is there that doesn't belong. The reconciliation process is the leading indicator of fraud detection, whether internally or externally.

2. **Review all balance sheet accounts for accuracy and completeness**

   Phase: 1

   As part of a month-end process, the balance sheet should be reviewed for all accounts. This usually involves opening a balance sheet report and scanning through from top to bottom. All account balances should make sense and be validated against other documentation where possible (bank statements, loan statements, etc.). Things that don't make sense should be investigated as they may uncover errors in the accounting process.

	PHASE	CHECK

3. Review all income statement accounts for reasonableness and accuracy

PHASE: 1

As part of a month-end process, the income statement should be reviewed for all accounts. This usually involves opening an income statement report and scanning through from top to bottom. All account balances should make sense. Things that don't make sense should be investigated as they may uncover errors in the accounting process.

4. Compile all financial statements and submit to the client

PHASE: 1

If you are an ecommerce business doing your own accounting, this step is unnecessary. But if you're an outsourced accounting solution, you need to deliver the work to your client so they can use the financials to make good decisions. We recommend compiling these reports into a deliverable for the client each month because it clearly communicates the value of the work you are providing.

5. Review cashflow report for accuracy and completeness

PHASE: 2

As part of a month-end process, the cashflow report should be reviewed for all accounts. This usually involves opening a cashflow report and scanning through from top to bottom. All figures should make sense. Things that don't make sense should be investigated as they may uncover errors in the accounting process.

6. Record accrued expenses

PHASE: 2

As companies mature, they should consider moving from cash-basis accounting to accrual. This means moving from recognizing expenses when they hit the bank accounts and credit cards to recognizing them when the bill from the vendor is received instead. This then follows a different workflow of putting in bills and recording payments against those bills.

This is only necessary for companies where there is a delay between the time when a bill is paid and a bill is received, like inventory vendors that give you credit terms, or when you are doing business with a vendor you want to be able to keep a good audit trail on. Otherwise, you can default to recognizing the expense when it hits the bank account or credit card.

For example, we don't recommend entering a bill for a Walmart charge or recording something like a one-time marketing vendor that you pay right away. We do recommend recording a bill for inventory purchases, important vendors with repeat business, vendors that give you terms, or any other expense that you incur but don't pay right away.

In Canada, ecommerce businesses don't have the option of cash basis accounting. Accrual basis is the standard, so follow the guidelines above.

PHASE CHECK

7. Record and reconcile any loan or other liability activity

2

The balance sheet reflects the assets and liabilities of a business. These liabilities are usually accruing interest as well as receiving payments. This accounting process makes sure those balances are accurately reflected on the balance sheet each month by recording all the activity of the account and not just payments. If the loans are with banks or other institutional lenders, they can usually be tied out to a month end statement.

7.1. Review foreign account balances for reasonableness and accuracy, revalue as needed

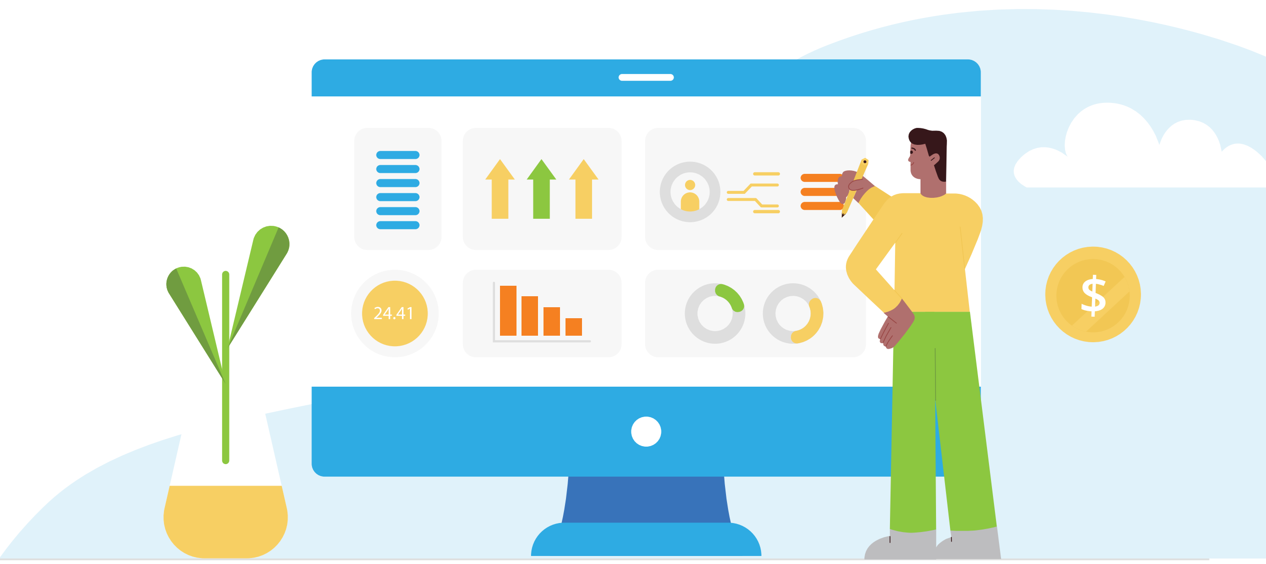
2

If you're purchasing items from suppliers in foreign currencies and need to hold a foreign balance on hand, you'll want to review your balances each month. This provides the opportunity to revalue based on changes in exchange rates, and to check that the amounts look reasonable.

8. Record amortized prepaid expenses

3

In accounting, there is a principle that encourages matching expenses and income into the period that they occurred. Sometimes companies will pay large amounts at one point that apply to extended periods of time other than the period the expense was paid. A good example of this is insurance. You might pay that bill in one month, but you are insured throughout the entire year. Recording these types of expenses as prepaid expenses facilitates this process. It allows the financials to paint a more accurate picture when that expense is spread across the whole year and recognized incrementally each month.



	PHASE	CHECK
9. Record monthly depreciation to fixed assets Depreciation is often recorded once a year by the tax accountant to match tax depreciation, but companies often transition into thinking of depreciation as a monthly management expense instead of focusing only on tax depreciation as they mature.	3	☐
10. Gather, approve and upload expense reports where applicable As companies grow, they often have multiple card users or employees putting expenses on personal cards and seeking reimbursement. This process can be streamlined with increased controls around approval and cash control by using tools like Expensify, Concur, Divvy, or Brex. These tools allow the user to be part of the coding process, cutting down on accounting time, allow for an approval process, and will usually sync with accounting systems.	3	☐

Ecommerce Channel Activity

1. Pull data from channels for sales activity and fees and summarize into accounting system A2X makes this process very easy. If you aren't using A2X, you will need to be comfortable with going into the sales reporting on the backend of each channel, sorting it all out, and summarizing that information into your accounting system. This can be done daily or weekly, though we usually recommend monthly at a minimum. Just remember that if your sales activity is only being recorded monthly that your income statement won't be accurate if you look at it throughout the month. A2X allows you to record your sales activity in real time with settlements as the payouts happen.	2	☐
2. Reconcile sales activity with deposits coming from channel and payment processors A2X makes this process very easy. If you aren't using A2X, you'll need to be able to take all the summary information from the channel and payment processors and reconcile it against the deposits that are landing in your bank account.	2	☐
3. Record payment processor fees and other activity When sales are happening on a website such as Shopify instead of a marketplace like Amazon, there is financial activity happening on the payment processor level as well, like fees and returns. These need to be captured for good accounting practice.	2	☐

	PHASE	CHECK
4. Reconcile payment processor reports to the accounting system Some payment processors, like PayPal, also act like bank accounts and can hold a balance of your funds. These payment processors need to be reconciled between the statements and the accounting systems to ensure that you account for any funds that are held with the payment processor.	2	☐
5. Review and confirm Amazon/Shopify pending balances If you are selling products on a daily basis, there will always be a pending balance of money that Amazon/Shopify is paying you in the future. Each month, you should look at the pending balances, compare this against your financials and make sure that it looks reasonable. Setting up a process to ensure that you receive these pending balances is also important.	2	☐
6. Adjust for exchange variances on payment clearing accounts If your payouts are made in foreign currencies, you'll need to factor in changes to exchange rates to ensure that the numbers balance between the sale that was recorded and the payment that was received.	2	☐
7. Record any deferred revenue from unfulfilled orders If you've received payments from customers for items that haven't been sent yet (e.g: prepayments or deposits), you'll need to record this as a current liability on the balance sheet.	3	☐

Inventory

PHASE | CHECK

1. Count all inventory

Phase: 1

Counting inventory can be a huge pain but it's also one of the most important steps for truing up and right-sizing inventory discrepancies that creep in over time. If your warehouse is large, you can use cycle counts to rotate through the entire warehouse piece by piece over time. If you are using a 3PL, this is a very important service they should offer.

2. Adjust inventory counts against ending inventory values

Phase: 1

After your inventory has been counted, its value should be reflected in the ending inventory figure on the balance sheet. This will almost always be off by at least a little bit. This is usually adjusted against COGS for the period or another inventory adjustment account on the profit and loss. Small adjustments are almost unavoidable but large adjustments indicate a problem that should be investigated. The better a company's inventory processes, the smaller this adjustment will typically be.

3. Verify product costs, either in your tool or in your product cost catalog

Phase: 2

Depending upon how you record your COGS each month, you will want to verify the product costs for their reasonableness when making the COGS adjustment each month. If you are using A2X to record COGS, you will want to review your current costs before pushing the COGS entries into your accounting system. If you are calculating it manually, you will want to verify against your product cost catalog before making the calculation.

4. Pull sales by SKU and calculate COGS if you aren't using a tool. Record COGS in accounting software

Phase: 2

A COGS calculation begins with a cost by SKU. You then need to multiply that cost by your sales quantity for each SKU. This quantity can be pulled from reports in your sales channels. A2X will also provide this number for you if you are using the COGS tool. After this number is calculated, you need to make the entry into the correct period in your accounting system. A2X will also make this entry for you.

	PHASE	CHECK
5. Allocate landed costs across SKU's (monthly review) Fully costed inventory should include the costs of the product, manufacturing, raw materials, product packaging, shipping costs to the warehouse, tariffs, customs, and any other costs required to produce and package the product and get it to the warehouse where it will ship to the customer. Sometimes these additional product costs are evident when the inventory is purchased and sometimes costs are incurred after the fact. Either way, consideration should be made each month to ensure product costs are fully captured in the SKU's they impact.	2	☐
6. Update COGS in A2X for costing If you are using [A2X](A2X) as a tool, you'll want to update your COGS figures each month to make sure that the right information is pulled into your accounting system.	2	☐
7. Review inventory tool for accuracy and record reconcile monthly COGS and ending inventory in your accounting software If you are using an inventory tool, many of the steps mentioned above will be an automatic outcome of using the tool correctly. However, inventory tools are only as good as the quality of the data going in, so we recommend implementing a process each month to verify the reasonableness of the numbers coming out of it for COGS as well as reconciling to the ending inventory in the tool periodically. If your inventory tool is not synced with your accounting system, you will need to pull the appropriate reports from the inventory tool and record the COGS information into the accounting software at the end of each reporting period.	3	☐
8. Record inventory adjustments for marketing activity, inventory lost, discarded, or given away All inventory reductions need to be captured so they can be correctly expensed and you have accurate values of what's available to sell. Inventory can be taken out to be used for marketing activity like photoshoots, given to influencers, discarded, stolen, damaged, or given away to family and friends. Processes should be put in place to make sure this is financially recorded. This activity is expensed at cost through accounts like marketing, shrinkage, damaged or defective goods, or any other account that captures the level of detail desired. Capturing these inventory movements also keeps inventory adjustment smaller when end counts happen.	3	☐

PHASE CHECK

9. Reconcile 3PL reports with your own records — Phase 3

Using a third-party logistics provider (3PL) can be a huge time saver but it can also put your assets at risk if the 3PL doesn't have good processes or management. You should periodically reconcile the inventory they report to have with the inventory they should have based on activity. What did they receive, what did they ship out, what was returned, and what are they saying they have left is a good place to start. Big discrepancies should be investigated.

Sales Tax

1. Review sales activity to see if you have crossed nexus in any states — Phase 1

Nexus refers to a relationship with a state that creates a responsibility on the part of the seller to collect and remit sales tax in that state. As an ecommerce seller (or bookkeeper serving sellers), you are likely to be selling into many different states and holding stock in warehouses around the country. This creates nexus. Nexus is also created as your sales volume grows within each state and you cross the thresholds determined by those states to create economic nexus. It's important to review where you have crossed nexus thresholds each month so that you know where to register and become compliant.

1.1. Determine if new provincial thresholds are reached for required tax registration (Canada only) — Phase 1

If your business is located in Canada, you'll want to check if you have any passed any provincial thresholds which will require you to register for sales tax. If you are selling in the US, you may also achieve nexus in states and have filing requirements there as well.

2. Register in any new states you have nexus in — Phase 1

As companies grow, they begin crossing sales tax nexus thresholds in additional states and they will then need to register for sales tax in those jurisdictions. LedgerGurus offers a comprehensive course on sales tax that covers the nexus requirements of different states and how to register (along with many other relevant points).

	PHASE	CHECK
2.1. Register for any required new provincial tax accounts (Canada only) If you have crossed the provincial threshold for sales tax in any new areas, now is the time to register and get compliant. Similarly with crossing any thresholds for nexus in the US.	1	☐
3. Set up channels to correctly collect sales tax in any new states If you register for sales tax in a new state, you'll also need to set up your channels to ensure that they collect tax for that new state. Check out LedgerGurus' sales tax course if you need guidance on this.	1	☐
3.1. Review mapping for channels for any new provincial taxes (Canada only) If you have registered for sales tax in new provinces, you'll also need to review how your sales channels are set up to collect sales tax and adjust if required.	1	☐
4. Reconcile sales tax liability account on the balance sheet 'Sales tax liability' is an account used to represent money collected on behalf of the state or province that you will need to remit at some point in the future. Keeping your sales tax liability account reconciled ensures that you know how much of your cash will have to be paid to the state or province in the future and ensures that your balance sheet is accurate and complete.	1	☐
5. Remit sales tax for any states/provinces due that month You will be required to remit sales tax collected for any state or province you are collecting in. Some of those filings are due monthly, some quarterly, and some yearly. LedgerGurus' sales tax course can help you to understand this filing process and set up project management processes to keep track of it all.	1	☐
5.1. File and remit GST/HST/PST returns that are due (Canada only) If you've passed any GST/HST/PST thresholds, you'll have sales tax returns due. Frequency of remitting can vary between the different taxes. If you are able to coordinate them all to the same period, it will simplify your process and ensure nothing falls through the cracks. If you are monthly filer, now is the time to do it.	1	☐

	PHASE	CHECK
6. Review consumption taxes due in other countries If your business (or your client) sells into other countries, you may be liable for other forms of consumption tax such as GST or VAT. If this applies to you, make sure to add the necessary weekly, monthly, quarterly and annual processes to this checklist to ensure that you don't miss any collections or filings.	1	☐

Payroll

1. Review and audit benefits Any benefits offered should be periodically reviewed to ensure that you are no longer paying benefits for employees that no longer work with you and that all employees who should have benefits are included on the plan.	1	☐
2. Submit monthly payroll taxes and reports If you are using a payroll app like Gusto or [ADP](ADP), this process will be taken care of for you. However, if you are using a more manual tool or no tool at all, you will need to make sure that all required monthly payroll reports are submitted and reported with the appropriate returns. There are usually state and federal requirements so keep both on your radar.	1	☐
2.1. File and remit workers compensation/EHT premiums (Canada only) If you are using a payroll app like Wagepoint, the remittances will be taken care of for you. You will still need to file the returns for both Worker's Compensation and EHT. If you are a monthly filer, you'll need to file these returns.	1	☐

Accounts Payable (AP)

	PHASE	CHECK
1. Review outstanding AP and verify accuracy Have a look at the list of vendors you currently owe money to, review the amounts and dates, and confirm that everything is correct. If there's information missing or anything seems significantly higher or lower than expected, this is a good indicator that further investigation is needed.	1	
2. Create aging AP report and submit with financials When you submit the monthly financial report to your clients, this is a good time to also share a list of aging accounts payable and bills that are overdue.	2	
3. Review/confirm vendor statements for accuracy If you purchase items on a credit basis, suppliers will usually provide a monthly statement that displays orders placed and payments received. It's important to check that the information in your accounting system (or your clients system) is consistent with what vendors are claiming. If there are discrepancies, they should be investigated further.	2	

Accounts Receivable (AR)

	PHASE	CHECK
1. Review AR reports for accuracy Have a look at the list of customers who currently owe you money, review the amounts and dates, and check for potentially bad debts. If there's information missing or anything seems significantly higher or lower than expected, this is a good indicator that further investigation is needed.	1	
2. Run aging report and take action for collections where needed If you have customers who are late in paying their bills, it's important to follow up with them in a timely manner to help ensure that you collect their payments. The aging AR report will inform you who needs to be contacted.	2	

	PHASE	CHECK
3. Send out customer statements If you are supplying customers with credit, you'll want to send them an account statement at the beginning of each month which summarizes the financial activity in the month prior. This provides visibility to clients and gives them the opportunity to verify that all numbers are correct.	2	☐
4. Create aging AR report and submit with financials When you submit the monthly financial report to your clients, this is a good time to also share a list of aging accounts receivable and invoices that are overdue.	2	☐

CFO/Strategic

1. Generate financial report commentary Once the financial reports are ready, it is a good time to take a strategic overview of the numbers and report on insights that might be useful for future decision making.	1	☐
2. Review financials and use for strategy planning Based on the insights that have been gathered in the financial report commentary, the next step is to put them into action by informing the direction of business strategy. For example, if the CFO discovers that costs are up 20% due to a higher use of airfreight, this might indicate that longer inventory forecasting periods are required as this will allow a wider use of sea freight.	1	☐
3. Update and consider comprehensive cash flow analysis Once the last month's numbers have been compiled, it's time to complete the cashflow analysis. Your cashflow report will tell you how money is flowing in and out of your business and why. It will also highlight whether there are challenges with the timing of your cash. Do you have to pay out more cash every month than what you've got coming in? This is a good indicator that you may hit a challenge with meeting existing financial obligations. It's also worth considering whether a detailed cashflow analysis or even cash forecasting is is a good use of resources.	2	☐

		PHASE	CHECK
4.	**Review marketing spend and calculate ROI's. Take action where needed** It's important to spend money on advertising to drive customers to the business offerings. Especially if you (or your client) is running a standalone store instead of relying solely on marketplaces. However, marketing spend as a % of sales can very quickly get out of hand if it's not managed properly. Keep an eye on the spend, and if ROI's drop below an acceptable level, this is a good indicator that changes need to be made.	2	☐
5.	**Update budgets and review budgets against actuals** Plans are great if they are used. But all too often in business, people create plans and then throw them out the window when circumstances change. The financial budgets of a business shouldn't be a static document - update them each month, make changes if needed, and remember to look at how the forecast compares to what actually happened.	3	☐
6.	**Consider excess cash and treasury management** If the business is holding a large amount of cash on hand, it's worth considering how this money should best be managed going forward and where cash should be held to yield a return while still keeping the cash fluid when possible.	3	☐

Quarterly processes

Sales Tax

	PHASE	CHECK
1. File sales tax returns if quarterly filer If you're on a quarterly filing basis, now is the time to file and pay your sales tax returns.	1	☐
1.1. File GST/HST/PST returns if quarterly filer (Canada only) If you're on a quarterly filing basis, now is the time to file and pay your sales tax returns.	1	☐

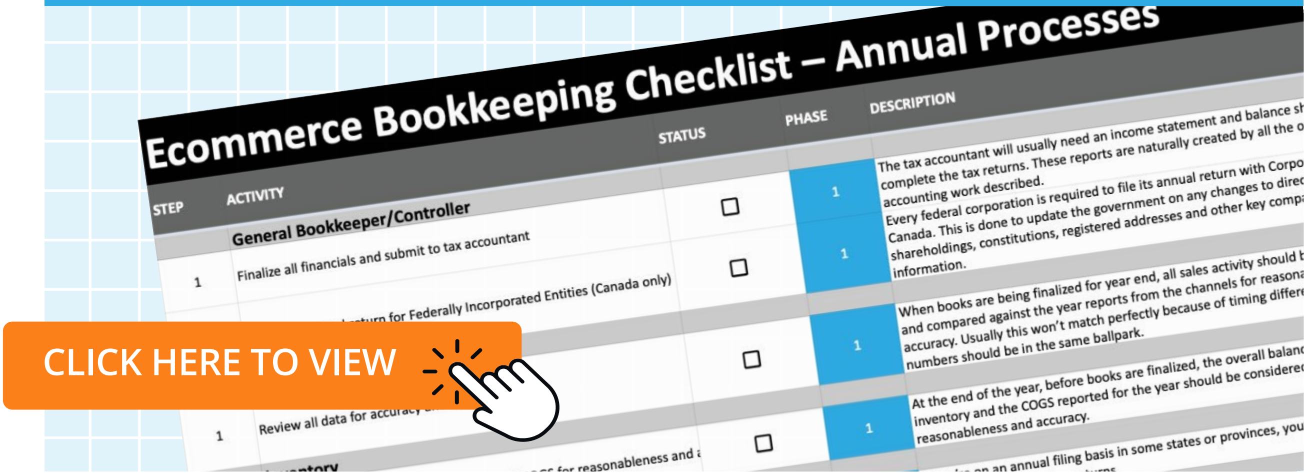
Payroll

	PHASE	CHECK
1. Submit quarterly payroll reports and taxes If you are still doing this manually, we strongly recommend that you consider an app in your tech stack to help manage this. Payroll represents a significant risk to business owners and it's a complicated process. Great apps like Gusto and Wagepoint will keep you firmly in control of payroll while taking care of the tough, risky parts, like the reporting and remitting of taxes.	1	☐

CFO/Strategic

	PHASE	CHECK
1. Review and adjust annual budgets During the process of planning for the next quarter, it's a good idea to review the accuracy of your annual budgets by comparing what actually happened with what was forecasted. Based on this data (and any changes since the annual budget was last compiled), you can update your budget accordingly.	3	☐
2. Determine new KPIs for tracking As businesses grow and evolve, the metrics that they should be measuring performance against changes. We recommend reviewing the metrics that you're tracking and ask whether there are different KPIs that should be measured. This can be due to a change in strategy, a need for greater leadership visibility, changes in market conditions or any other number of reasons.	3	☐

Annual processes



General Bookkeeper/Controller

PHASE CHECK

1. Finalize all financials and submit to tax accountant — Phase 1 ☐

The tax accountant will usually need an income statement and balance sheet to complete the tax returns. These reports are naturally created by all the other accounting work described.

1.1. Complete annual return for Federally Incorporated Entities (Canada only) — Phase 1 ☐

Every federal corporation is required to file its annual return with Corporations Canada. This is done to update the government on any changes to directors, shareholdings, constitutions, registered addresses and other key company information. You can find out more about what is required and the costs of doing so here.

Ecommerce Channel Activity

1. Review all data for accuracy and reasonableness — Phase 1 ☐

When books are being finalized for year end, all sales activity should be reviewed and compared against the year reports from the channels for reasonableness and accuracy. Usually this won't match perfectly because of timing differences, but the numbers should be in the same ballpark.

Inventory

PHASE CHECK

1. Consider overall balances of inventory and COGS for reasonableness and accuracy — Phase 1

At the end of the year, before books are finalized, the overall balances of ending inventory and the COGS reported for the year should be considered for reasonableness and accuracy.

Some examples of metrics that you can use to consider these values include:

- COGS as a % of sales
- Storage as a % of ending inventory
- Ending inventory as a % of yearly sales

Sales Tax

1. Submit any returns that are only required yearly — Phase 1

If you're on an annual filing basis in some states or provinces, you'll need to file and remit these sales tax returns.

Payroll

1. Complete all yearly payroll reports and submit taxes — Phase 1

W2s are required to be sent at year end under all circumstances. Anyone who was on the payroll needs to receive a W2 at year end from the company they were employed with. The W2 summarizes all wages received as well as all all taxes withheld. Employees then give these W2's to their tax accountants to prepare their taxes with.

Year end reporting requirements are significantly larger than standard month end reports. This is because you are required to prepare not just the monthly information, but also quarter end reports and several summary reports that cover the entire year.

2. Issue W2s to all employees — Phase 1

Every employee who worked for you (or your client) will need to receive a W2, regardless of whether they only worked for a day or whether they worked for you all year. This form summarizes their wages and any withholdings for the year. W2s are an additional service typically provided by a good payroll app.

	PHASE	CHECK
2. Issue W2s to all employees Every employee who worked for you (or your client) will need to receive a W2, regardless of whether they only worked for a day or whether they worked for you all year. This form summarizes their wages and any withholdings for the year. W2s are an additional service typically provided by a good payroll app.	1	☐
2.1. Issue T4s to employees, file T4 summary with CRA (Canada only) Every employee who worked for you (or your client) will need to receive a W2, regardless of whether they only worked for a day or whether they worked for you all year. This form summarizes their wages and any withholdings for the year. W2s are an additional service typically provided by a good payroll app.	1	☐
3. Manage open enrollment (US only) Does the company offer employee benefits? You will need to manage open enrollment as part of those benefits each year. Open enrollment typically falls at the end or beginning of a new year.	1	☐
4. Select benefits offering for the year Employee benefits can play a huge role in attracting top talent as you grow your business. Benefits can be monetary in nature (such as medical insurance), but can also be lifestyle driven. For example, flexible hours or the ability to work from home. As part of planning for the year ahead, reviewing existing benefits and determining if new offerings are needed for employees is an important HR consideration to keep in mind.	1	☐
5. Consider compensation adjustments If you do yearly compensation adjustments, you will need to consider what those will be and make the appropriate adjustments in your payroll software or adjust your processes if you are running payroll manually.	1	☐
6. Complete workers compensation annual reconciliation Worker's compensation boards require an annual reconciliation confirming the total compensation paid to insurable individuals against remittances made throughout the year.	1	☐

PHASE CHECK

7. **Complete EHT annual reconciliation (Canada only)**

This involves a verification of the EHT payment required on annual earnings with the actual amount paid. If there's a shortfall, it must be remitted to avoid interest and penalties.

Phase: 1

Accounts Payable (AP)

1. **Issues 1099s to all relevant vendors (US only)**

At the end of the year, every business needs to issue 1099 forms to any person or entity that they have paid more than $600 to and is not an employee. Penalties apply if forms are submitted late or not at all, and they can add up fast - so it's a good idea to get this step done promptly.

Phase: 1

Accounts Receivable (AR)

1. **Write off any invoices that are uncollectable**

Sometimes invoices turn into bad debts if your customer can't pay their bill. While every business owner tries to minimize the amount of invoices that need to be written off, it is not uncommon for this to happen.

Phase: 1

CFO/Strategic

1. **Consider and renew insurance policies**

Insurance policies are generally updated on an annual basis. The end/beginning of each year is a good time to assess whether the current insurance policies meet all of the important business needs and plans going forward. If they don't, now is a time to find new policies that are a better fit.

Phase: 1

2. **Meet with tax accountant and discuss strategy to minimize taxes**

Tax accountants are usually only actively involved in a business once each year when it's time to file tax returns. As the bookkeeper, you are much more tapped into the pulse of what's happening in the business, and can therefore take more actions to minimize taxes throughout the year. We recommend having an annual review with the tax accountant to discuss potential changes that can minimize taxes going forward.

Phase: 2

PHASE CHECK

3. Consider payment processors and compare rates — PHASE 2

There's a large amount of competition in the payment processing industry, and lots can change in the space of a year. This step involves reviewing which vendors are being used for processing each payment type (e.g: sales channel payouts and international transfers) and looking for better deals.

4. Consider shipping options and compare rates — PHASE 2

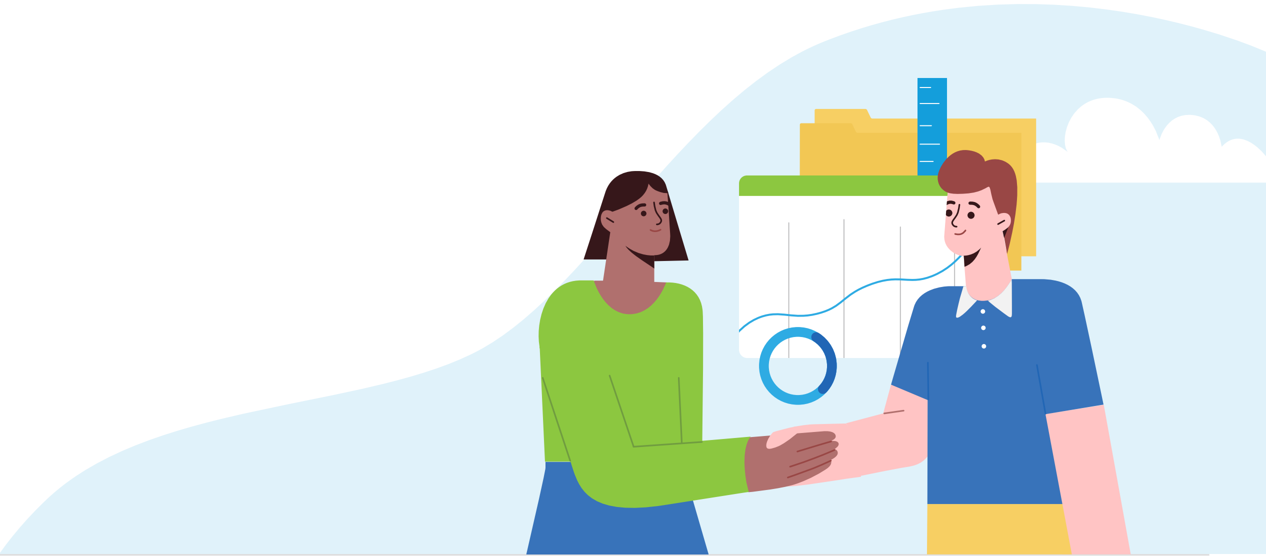
Is the business using the most efficient shipping solution? Have there been many issues with delays or damaged shipments in the last year? Are you paying too much for freight? Now is a good time to field the market and see what options are available to cut costs and increase service quality.

5. Discuss credit lines with banks and other lenders — PHASE 2

As product-based businesses expand, there is a growing need for financing inventory purchases and growing operating costs. While some companies have been able to bootstrap their way to success, credit lines and investments are generally required to scale up. As part of the annual planning process, it's important to gain an understanding of the credit offerings available and what is needed to succeed in the next year.

6. Consider key contracts with supply chain vendors — PHASE 2

The end/beginning of each year is a good time to review your supply arrangements and to assess whether they are still the best fit for the business going forward. Have there been any major price changes that need to be discussed? Is there a need to secure stronger warranties around damaged or faulty purchases? Can you get shorter lead times or better prices by committing to larger volumes? Do you need to make changes to your purchasing plan to ensure that there's enough stock on hand for the next 12 months?



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