

# RuthScottSolutions

## Basic Bookkeeping for Resellers

- Separate your business and personal accounts and expenses. Set up a separate checking account, PayPal account, and Credit Card (if possible).
- Only use business accounts for business reasons like sourcing, expense purchases, materials, office supplies, shipping costs etc.
- Keep all receipts even if you record them in a spreadsheet.

**Item Purchases** are items that you buy to resale, not expense purchases. This amount includes shipping and sales tax you were charged when you purchased the item. (Goodwill, Yard Sales, Wholesale etc.)

**Raw Materials** (Materials and Supplies) are items you buy that you use to create your product. (yarn, wood, stencils, patterns, decal material etc.)

**Inventory** is what you currently have in stock that can be sold right now. You do not have to make or customize the product. It is your finished product you make from the materials you use. It is still Inventory whether you have the items listed or not.

Purchases has everything item you purchased for the current year.

Inventory items might also be listed under Purchases if the item was purchased this year and has yet to be sold.

Some Inventory items will not be listed under Purchases if the item was purchased last year and still hasn't sold.

Some items will be listed under Purchases but not listed under Inventory if the items were purchased in the current year and have sold.

For tax purposes, you must record your Inventory amount at the beginning and the end of the year.

**Cost of Goods Sold (COGS)** is how much money you spent to make your Sales Income.

To calculate COGS:

Beginning Inventory

Minus, Returns

Minus, Labor Costs (if you pay someone to make your product)

Plus, Item Purchases (for resale)

Plus, Raw Materials (Materials and Supplies)

Minus, Ending Inventory

=Cost of Goods Sold for the year

Your Sales Income is the total amount you made across all platforms. This includes shipping you charged the customer but not Sales Tax that was collected.

Expenses are any costs you paid while running your business. Expense Purchases are the items you buy that are not for resale (Item Purchases).

The following are some basic expenses you can deduct.

- **Advertising**-Etsy Ads, Promoted Listings, Business Cards, Thank You Cards
- **Car and Truck Expenses**-keep a record of total miles driven for the year. The mileage includes round trips.
- **Commission and Fees**-Etsy Fees, eBay Fees, eBay Fees, and PayPal fees
- **Contract Labor** -if you pay someone to list items or photograph items etc. (different from Labor Costs-people who make your product)
- **Legal and Professional Fees**-if you consult an attorney or accountant, or money you pay to file your taxes
- **Office Expense**-Office Supplies and Shipping Costs that you pay to ship items to your customers
- **Supplies**-any other supplies not included in Office Expense or Materials and Supplies. For example, shipping supplies and storage supplies
- **Taxes and Licenses**-If you paid to create a Doing Business As form, a business license, any permits etc.
- **Other Expenses**-any other expenses your have for the year. For example, Education (books, training etc.), Website (eBay store, domain name, or hosting).