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# Audit-Ready Books

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A 10-Point Checklist for E-Commerce Founders  
— So Tax Season Never Catches You Off Guard Again

Insight • ReynFinancial Library

# Why "Audit-Ready" Matters Before You Need an Audit

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Audit-ready does not mean you are being audited. It means your books are clean enough, organized enough, and accurate enough that if your CPA, an investor, a lender, or yes, the IRS looked at them tomorrow — you would hand them over with confidence, not panic.

For e-commerce sellers, this standard matters more than most businesses. Multi-channel revenue, complex fee structures, international sourcing, inventory timing, and sales tax obligations across multiple states create a bookkeeping environment where small errors compound fast.

This checklist is the standard. If you can check all 10 boxes, your books are clean. If you cannot, you now know exactly where the gaps are.

## ■ 1. Bank Accounts Are Reconciled Monthly

Every bank account and credit card connected to your business must be reconciled against the statement every month. The ending balance in QuickBooks must match the bank statement exactly. Zero discrepancy. If there is a difference of even one dollar, something is miscategorized, duplicated, or missing.

## ■ 2. Revenue Is Recorded Gross, Not Net

Your P&L; should show gross sales at the top — the full value of what customers paid. Platform fees, refunds, and shipping credits are separate line items below. If you are recording Amazon or Shopify payouts as your revenue number, your books understate revenue and hide the true cost of selling on each platform.

## ■ 3. COGS Is Calculated, Not Guessed

Cost of Goods Sold should be calculated using a consistent method — weighted average cost is the standard for commingled e-commerce inventory. COGS must reflect landed cost (product + freight + duties), not just the manufacturer price. A monthly journal entry moves the cost of sold units from inventory to COGS.

## ■ 4. Inventory Asset Matches Physical Count

The Inventory Asset account on your balance sheet should reflect the actual value of unsold inventory on hand. At least monthly, compare this balance to your Amazon inventory report or 3PL count multiplied by weighted average cost. Unexplained differences are a red flag.

## ■ 5. Platform Settlements Are Broken Into Components

Each Amazon settlement or Shopify payout should be recorded as individual line items: sales, refunds, referral fees, FBA fees, advertising charges, shipping credits, and net deposit. A2X does this automatically. If you are recording settlements as a single lump-sum deposit, your fee tracking is invisible.

**■ 6. No Uncategorized Transactions Remain**

At month-end, the "Uncategorized" account in QuickBooks should have a zero balance. Every transaction must be assigned to the correct account. Uncategorized transactions mean your P&L; is incomplete and your Balance Sheet may not balance.

**■ 7. Accounts Receivable Is Current**

If your books show Accounts Receivable from Amazon or Shopify, those amounts should clear when the corresponding payout arrives. Stale AR — amounts that have been sitting for 60+ days without clearing — usually means a payout was recorded but never matched, or a settlement was not posted.

**■ 8. Sales Tax Is Tracked Separately**

Sales tax collected from customers is not your revenue — it is a liability. It must be recorded in a Sales Tax Payable account, not lumped into income. When you remit sales tax to the state, that payment reduces the liability. If sales tax is mixed into revenue, your income is overstated and your tax filings will not match.

**■ 9. Accrual-Basis Is Applied Consistently**

Revenue should be recognized when the sale occurs, not when the payout arrives. Expenses should be recognized when incurred, not when paid. Prepaid expenses should be on the balance sheet and amortized monthly. If you switch between cash and accrual treatment inconsistently, your monthly comparisons are unreliable.

**■ 10. P&L; and Balance Sheet Pass the Sense Check**

Does gross margin align with your pricing and product costs? Does net profit feel consistent with cash in the bank? Does inventory on the balance sheet match what you actually have? Does the balance sheet balance? If any of these feel off, something is recorded incorrectly. Trust the instinct — then find the entry.

YOUR SCORE	WHAT IT MEANS
10 / 10	Your books are clean and audit-ready. Maintain monthly.
7 – 9 / 10	Solid foundation with specific gaps. Fixable in 30–60 days.
4 – 6 / 10	Significant gaps. Historical clean-up likely needed.
Below 4	Your P&L is not reliable. Books need to be rebuilt.

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