

Quick Start Guide



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Introduction

This book is designed to be a helpful quick start guide for new starters to our inventory and manufacturing software.

In this guide, we'll help you identify your current inventory situation via some quick questions and then guide you through the steps you need to take to get up and running with Craftybase.

A quick but important disclaimer before we begin: please note that laws and regulations tend to change frequently. This information is for general educational and informational purposes only should not be construed as legal or financial advice. Please consult an expert in your local area with specific questions regarding your use of Craftybase.

Terminology

Before we dive in, it's useful to recap over some of the terms and concepts we will be using in this book.

If you haven't already done so we strongly recommend reading our [Getting Started with Craftybase eBook](#) as this covers all terms and concepts in more detail, along with some further background about perpetual inventory tracking and manufacturing process concepts.

COGS: This is short for "Cost of Goods Sold" and is a way of claiming your material usage via the sales of the products that consume them (as opposed to claiming your materials entirely in the year you purchased them).

Indirect Expense: This is an cost that you claim that is deemed unrelated to the manufacturing of your products. When you claim the total cost of purchasing materials each year as expenses rather than calculating via COGS, you are using the Indirect method of expenditure (regardless of how you actually use the material itself).

Stocktake: This is essentially counting all stock you physically have on hand. For starting counts, you'll want to be doing this for all items you have in your inventory however when using Craftybase you'll eventually be able to do this via a cycle count approach (meaning you can select samples to count rather than count all of them at once).

Business Start Date: This is the date that you first began trading as a business.

Adjustment: This is any stock change made to your inventory after you have started tracking in Craftybase. Adjustments are automatically added based on your activity (e.g. an order for a product will make a negative (-) adjustment to your inventory, a manufacture will create a positive (+) adjustment. You can also add manual adjustments if required.

Starting Adjustment: This is the first adjustment for a material or product. It is the stock you are starting with on the first day of tracking your stock in Craftybase.

Sales Channel: An integration with a marketplace or ecommerce provider that allows automatic importing of orders from this source on a daily basis.

Your Current Situation

The first thing to do is to determine your current situation so that you can figure out your optimal inventory strategy.

To do this, you'll need to be able to answer the questions below:

Q1. Did you start your business after 1 Jan this year?

Yes: If you are a new business that began this year (i.e. you have never lodged a tax return before), you'll want to follow the instructions outlined in Section 1: New business strategy

No: Go to question 2.

Q2. On your last tax return, how did you claim your material usage costs?

I claimed my material purchases as indirect expenses: This essentially means you have been claiming the entire purchase in the year that you bought it so you'll need to create a strategy to switch from indirect expensing to COGS expensing. See Section 2: Switching Inventory Valuation Methods for details on how to make the change.

I claimed my material usage as part of COGS (Cost of Goods Sold): This means you have been previously using a system to calculate your inventory and material usage. Turn to Section 4: Switching from another inventory system. If you have previously been using Craftybase during the year and need some advice on how to catch up, see our Section 3: Catching up in Craftybase.

Section 1: New Business Strategy

If you started your business sometime after 1 Jan of this year.

Your strategy from here will depend on how long it has been since your business began and your ability to reconstruct your stock changes from this date to the current date.

I can reconstruct my stock history back to the beginning of my business.

If you have kept good records of your manufacturing activity (i.e. when you made products and what materials you used) then you can consider backdating to the start of your business. Follow the task list under a) Backdate to start of business

I cannot reconstruct my stock history back to the beginning of my business.

If you don't feel you can construct your past manufacture records, then you may be better to consider indirect expensing for your materials up to the date you began with Craftybase and then switch to COGS at this point. Follow the task list under b) Start on current date.

Important: We strongly encourage discussing your options with your accounting advisor first before making a decision here. If you switch from indirect expenditure to COGS and also have significant inventory to bring forward into the current tax year, this may result in a lower material expenditure total for the coming tax year and thus a higher tax liability.

1 a) Backdate to start of business

This method involves reconstructing all stock changes right back to the date you began your business, then reconciling your Craftybase stock levels with your physical ones.

Tasks

- ☐ Reset your account to remove any previous data imported or entered (if necessary)
- ☐ Set your Account Start Date to your business start date.
- ☐ Enter all purchases for your materials from your business start date to the current date.
- ☐ Import your sales channels, ensuring that your first import is from your business start date to ensure all data is in place. Alternatively create your products and orders manually if you don't use sales channels.
- ☐ Enter all Manufactures for your products made from your business start date to the current date
- ☐ Ensure all orders from offline or unsupported channels are entered.
- ☐ Enter any known material inventory adjustments that are not related to manufactures or purchases (i.e. breakage or personal use deductions)
- ☐ Enter any known product inventory adjustments that are not related to orders or manufactures (i.e. breakage or personal use deductions)
- ☐ Stocktake your physical materials on hand and compare this number to the On Hand number in Craftybase. Add adjustments if there are differences: your aim is for your Craftybase material stock numbers to now match your current physical on hand numbers.
- ☐ Stocktake your physical product on hand and compare this number to the On Hand number in Craftybase. Add adjustments if there are differences: your aim is for your Craftybase product stock numbers to now match your current physical on hand numbers.

1 b) Start on current date

This method involves starting to track your inventory using COGS from today forward, with all previous material expenditure claimed as an indirect expense.

Tasks

- ☐ Reset your account to remove any previous data imported or entered (if necessary)
- ☐ Set your Account Start Date to today
- ☐ Import your sales channels, ensuring that your first import is from today to prevent past data being created in the system.
- ☐ Stocktake your physical materials on hand
- ☐ Set your Starting Adjustments for each of your materials using your stocktake numbers with a material unit cost of zero (as your materials have all been fully claimed before this date via indirect expensing).
- ☐ Stocktake your physical product on hand
- ☐ Set your Starting Adjustments for each of your products using your stocktake numbers with a manufacture unit cost of zero (as your materials have all been fully claimed before this date via indirect expensing).

Important: You'll want to discuss your options with your tax advisor first before using this approach to ensure that you are both on the same page. You'll need to be claiming your material purchases as indirect expenses right up to the point where you begin tracking with Craftybase, after this time the costs of your materials will be factored into COGS.

Going Forward

From here, you'll want to ensure that you work forward from today on a constant basis through the year: entering in purchases as you raise and receive them, manufactures when they occur and orders as they are placed.

Also remember to regularly cycle count your product and material stock to ensure that your records are accurate.

Section 2: Switching Inventory Valuation Methods

For existing businesses, this is the most common scenario we see when converting over to a perpetual inventory system. If you have been previously claiming your material usage via indirect expenses (i.e. claiming the entire amounts you have spent on your materials each year) then you'll need to at some point switch your inventory valuation method to COGS to use Craftybase.

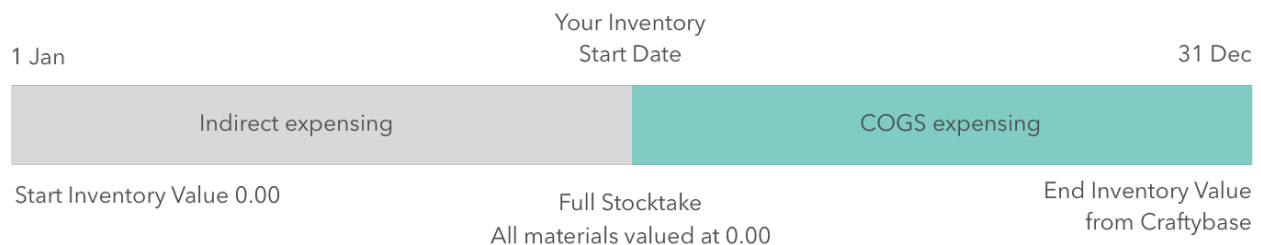
There are a couple of different options for this situation. You'll want to consider how far along in the current year it is and how accurately you can reconstruct your past inventory changes.

- a) Begin on current date: Work forward with Craftybase from the current date using COGS, with all material costings before this time claimed as indirect expenses OR
- b) Backdate to start of current year: Switch your inventory valuation method for this year by backdating all stock changes back to 1st Jan* OR
- c) Begin at start of next year: Begin tracking with Craftybase as of 1 Jan next year and use your current indirect expenses method until the end of the current year. OR
- d) Backdate to start of business: Refile your previous years returns so that all inventory calculations are based on COGS and backdate data to your business start date in Craftybase

Important: You'll want to discuss your options with your accounting advisor first before making a decision here. If you switch from indirect expenditure to COGS and also have significant inventory to bring forward into the current tax year, this may result in a lower material expenditure total for the coming tax year and thus a higher tax liability.

2 a) Begin on current date

This method involves stocktaking immediately, claiming all previous material purchases as indirect expenses and working forward with initial zero costed products and materials. The reason your materials will be initially valued as zero is because you will be claiming their usage via indirect expensing (i.e. Part II of Schedule C)



Tasks

- ☐ Reset your account to remove any previous data imported or entered (if necessary)
- ☐ Set your Account Start Date to today
- ☐ Import your sales channels, ensuring that your first import is from today to prevent past data being created in the system.
- ☐ Stocktake your physical materials on hand
- ☐ Set your Starting Adjustments for each of your materials using your stocktake numbers with a material unit cost of zero (as your materials have all been fully claimed before this date via indirect expensing).
- ☐ Stocktake your physical product on hand
- ☐ Set your Starting Adjustments for each of your products using your stocktake numbers with a manufacture unit cost of zero (as your materials have all been fully claimed before this date via indirect expensing).

Important: You'll want to discuss your options with your accounting advisor first before using this approach to ensure that you are both on the same page. You'll need to be claiming your material purchases as indirect expenses up to the point where you begin with Craftybase, after this time the costs of your materials will be factored into COGS.

2 b) Backdate to start of current year

This method involves reconstructing all stock changes back to the 1 Jan in the current year.

Tasks

- ☐ Reset your account to remove any previous data imported or entered (if necessary)
- ☐ Set your Account Start Date to the 1 Jan of the current year.
- ☐ Enter all purchases for materials from 1 Jan to the current date.
- ☐ Import your sales channels, ensuring that your first import is from the 1 Jan to prevent past data being created in the system. Alternatively create your products and orders manually if you don't use sales channels.
- ☐ Enter all Manufactures for your products made from 1 Jan to the current date
- ☐ Ensure all orders from offline or unsupported channels are entered.
- ☐ Enter any known material inventory adjustments that are not related to manufactures or purchases (i.e. breakage or personal use deductions)
- ☐ Enter any known product inventory adjustments that are not related to orders or manufactures (i.e. breakage or personal use deductions)
- ☐ Stocktake your physical materials on hand and compare this number to the On Hand number in Craftybase. For each material, enter the difference as your Starting Adjustment with a unit cost of zero (as you have already fully claimed any past material purchases via indirect expensing). Your aim is for your Craftybase material stock numbers to now match your current physical on hand numbers.
- ☐ Stocktake your physical product on hand and compare this number to the On Hand number in Craftybase. For each product, enter the difference as your Starting Adjustment with a material unit cost of zero (as you have already fully claimed any past material usage via indirect expensing). Your aim is for your Craftybase product stock numbers to now match your current physical on hand numbers.

2 c) Begin at start of next year

This method involves using your existing form of tracking and costing and moving to using Craftybase on Jan 1 of the next year. Your next tax return will be filed using tallies from your old system and you'll be aiming for the year after using the calculations from Craftybase.

As your start date will be Jan 1 of next year, you will not need to do any backdating - the only thing to ensure that you do is a full stocktake on this date: this will be your starting adjustments for all materials and products in the system. As you will have fully claimed all material costs via your last tax return, all unit costs should be entered as zero to ensure that they are not claimed twice.

Tasks

- ☐ Reset your account to remove any previous data imported or entered (if necessary)
- ☐ Set your Account Start Date to 1 Jan of next year
- ☐ Import your sales channels, ensuring that your first import is from 1 Jan of next year to prevent past data being created in the system.
- ☐ On 1st Jan, stocktake your physical materials on hand
- ☐ Set your Starting Adjustments for each of your materials using your stocktake numbers with a material unit cost of zero (as your materials have all been fully claimed before this date via indirect expensing).
- ☐ On 1st Jan, stocktake your physical product on hand
- ☐ Set your Starting Adjustments for each of your products using your stocktake numbers with a manufacture unit cost of zero (as your materials have all been fully claimed before this date via indirect expensing).

2 d) Backdate to start of business

This method involves reconstructing all stock changes back to the date you began your business (or another prior date as discussed with your accountant). On this start date, you will need to determine how much stock you had on hand for each material and product and assign a material unit cost for each.

Tasks

- ☐ Reset your account to remove any previous data imported or entered (if necessary)
- ☐ Set your Account Start Date to your business start date.
- ☐ Enter all purchases for materials from your business start date to the current date.
- ☐ Import your sales channels, ensuring that your first import is from your business start date to ensure all data is in place. Alternatively create your products and orders manually if you don't use sales channels.
- ☐ Enter all Manufactures for your products made from your business start date to the current date
- ☐ Ensure all orders from offline or unsupported sales channels are entered.
- ☐ Enter any known material inventory adjustments that are not related to manufactures or purchases (i.e. breakage or personal use deductions)
- ☐ Enter any known product inventory adjustments that are not related to orders or manufactures (i.e. breakage or personal use deductions)
- ☐ Stocktake your physical materials on hand and compare this number to the On Hand number in Craftybase. Your aim is for your Craftybase material stock numbers to now match your current physical on hand numbers.
- ☐ Stocktake your physical product on hand and compare this number to the On Hand number in Craftybase. Your aim is for your Craftybase product stock numbers to now match your current physical on hand numbers.

Section 3: Catching up in Craftybase

If you started out well but slipped at some point, then you'll want to first figure out if there was a certain month that things began to slow down with your record keeping.

This is where you'll want to focus initially with your backdating, and then you'll want to perform a manual stocktake to ensure that your numbers today are correct going forward.

Tasks

- ☐ Gather your material receipts together (paper and electronic) from the date you stopped tracking in Craftybase and enter them in to update your material stock levels.
- ☐ Create any missing manufactures, ensuring that they are dated as close to when they occurred to ensure that your orders are costed correctly
- ☐ Perform a manual stocktake of all materials you have on hand by creating a Material Stocktake or printing out your Physical Material Worksheet, then account for any adhoc differences between the CB tally and your manual one via adding material adjustments
- ☐ Review your imported orders to ensure that they are all accounted for correctly. Enter any manual sales from offline sources.
- ☐ Generate your Physical Product Worksheet and then perform a manual stocktake of all unsold product to compare numbers. Account for any differences via adding product adjustments.

Going Forward

From here, you'll want to ensure that you work forward from today on a constant basis through the year: entering in purchases as you receive them, manufactures as close to when they happen and orders as they are placed.

Also remember to regularly cycle count your product and material stock to ensure that your records are accurate.

Section 4: Switching from another Inventory System

If you have been previously using another system to track your inventory, it's typically much easier to set a switchover date and work forward from here.

We recommend using the current date as this way you'll reduce your backdating tasks and as you can use your tallies from both systems. If you switched to Craftybase during the last year but never really got going, then you might want to consider resetting your account to remove all historical data and use 1st Jan of the current year as your starting point in Craftybase instead(see Section 2 for more details).

Tasks

- ☐ Reset your account to remove any historical data if necessary
- ☐ Set your Account Start Date to your switchover date
- ☐ Download the material import spreadsheet, then manually stocktake all materials you currently have on hand, entering all materials with current stock numbers (Starting Quantity) and an accurate cost of each unit purchased (Item Unit Price).
- ☐ Import your spreadsheet to create your material records in Craftybase
- ☐ Import your sales channels, ensuring that your first import uses your switchover date to prevent past orders and purchases being created in the system (or alternatively create your products manually if you don't use sales channels)
- ☐ Perform a stocktake of all products you have on hand on the switchover date
- ☐ Set your Starting Adjustments for each of your products to match your current stock numbers with an accurate cost of materials to produce a single unit

Going Forward

From here, you'll want to ensure that you work forward from today on a constant basis through the year: entering in purchases as you raise and/or receive them, manufactures as close to when they happen and orders as they are placed.

Also remember to regularly cycle count your product and material stock to ensure that your records are accurate.

Section 5: Seeking initial advice

If you aren't a new business and haven't filed any prior returns for your business, you are best to seek the advice of an accountant to discuss how you are best to address this issue as it will affect how you start using Craftybase.

Have questions?

Deciding on a backdating strategy can take some time, so please don't be afraid to get in touch and we'll be happy to help you to clarify your situation.