IXL CORE · Supply chain

Why your stock records lie

And what accurate, correctly costed, connected inventory is actually worth

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Executive summary

Ask a growing business what it has in stock and what that stock is worth, and you'll usually get two answers — one confident, one true — and they won't match. The count on the shelf disagrees with the count in the system. The valuation is a guess dressed up as a figure. And the storeroom, the sales system and the ledger each hold their own private version of reality.

This matters far beyond the warehouse. Inventory is not a housekeeping detail — it sits directly inside your margin, your cost of goods sold, your tax and your reordering decisions. When the numbers lie, they lie in the accounts too. A write-off that happens in the storeroom but never reaches the ledger leaves your books overstating profit — and you paying tax on money you never made.

This paper argues that inventory is only useful when it is three things at once: **accurate**, **correctly costed**, and **connected** to purchasing, sales and accounting on one source of truth. We explain why stock records drift, why the drift is expensive, why the usual fixes fall short, and what disciplined receiving, real costing and one shared foundation change.

The problem: your stock records drift from reality

No one decides to keep inaccurate stock records. The gap opens quietly, a little at a time.

Goods arrive and the delivery is short, but the system is updated from the order, not from what actually landed. An item breaks, expires or walks out the door, and nobody records the loss. A sale goes through a till or a separate ordering app that doesn't tell the storeroom. Returns come back in and sit uncounted. Each event is small. Together, over a few months, they pull the number in the system away from the number on the shelf — and the two never meet again until someone counts by hand and gets a fright.

Valuation drifts the same way. Most businesses can tell you *how many* they think they have, but not *what it's worth* — because the cost was never captured properly in the first place. Prices from suppliers change. Freight and duty get treated as an expense somewhere else instead of landing on the item. So the value of stock becomes a round-number estimate, and every figure that depends on it inherits the guess.

Why this is expensive

Inaccurate, disconnected inventory doesn't announce itself. It shows up as decisions made on numbers that were never true.

- **Your margin is wrong.** Margin is price minus cost. If the cost of your stock is a guess, your margin is a guess — and you may be celebrating sales that lose money, or discounting away the profit on ones that don't.
- **Your cost of goods sold is wrong.** COGS — the cost of the stock you actually sold — is one of the biggest lines in the accounts. Get inventory valuation wrong and this line is wrong, which means the profit sitting beneath it is wrong.
- **Your tax can be wrong.** Overstated stock overstates profit, and overstated profit is taxed. A loss that never reached the books is money you pay tax on but never earned.
- **Your reordering is blind.** If the system says you have forty and the shelf has twelve, you'll run out mid-order and disappoint a customer. If it says twelve and you have forty, you'll tie up cash re-buying what you already own.
- **You oversell.** The sales system promises stock that isn't there, because it's reading a number the storeroom stopped agreeing with weeks ago.

Underneath all of these is one root cause: the storeroom, the sales system and the ledger are disconnected. A write-off happens in the storeroom and never reaches the ledger. A sale happens in the sales system and never moves the stock. The books say one thing, the shelf says another, and the business makes decisions on whichever number it happened to be looking at.

Why the usual answers fall short

Most businesses reach for one of three fixes. Each helps a little and solves nothing.

Manual stock counts. A full count tells you the truth — for exactly one day. It's slow, it's disruptive, and the moment trading resumes the drift begins again. Counting harder treats the symptom every quarter while leaving the cause untouched.

Spreadsheets. A stock spreadsheet is better than nothing and worse than it looks. It captures no cost properly, enforces no receiving discipline, and knows nothing about the sale that just happened or the invoice finance just paid. It is one more private copy of the truth, maintained by hand, drifting like all the others.

A standalone inventory app. Purpose-built stock software is a real step up — until you notice it's an island. It tracks quantities beautifully and then sits disconnected from the accounting package. So the value it holds still has to be re-typed into the ledger, the write-offs still have to be re-entered, and the two systems still spend month-end trying to agree. You've bought a better storeroom, not a truthful one.

The pattern is the same each time — you can make the *count* more accurate, but if it isn't **costed** and **connected**, the numbers you actually run the business on still can't be trusted.

A different idea: accurate, costed, connected

Trustworthy inventory needs all three properties together, or none of them hold.

- **Accurate** — the number in the system matches the shelf, kept true by disciplined receiving and scan-based movements rather than periodic panic counts.

- **Correctly costed** — every item carries its real cost, including freight and duty, held on a proper ledger so valuation is a fact, not an estimate.
- **Connected** — stock lives on the same foundation as purchasing, sales and accounting, so a movement in the storeroom is the same event the ledger sees, automatically.

That third property is the one the usual fixes can't offer. In IXL CORE, Supply Chain sits on the same shared foundation as Accounting — so stock movements and costs post to the ledger as they happen. There is no second system to reconcile because there was only ever one source of truth.

How it works

Here is what disciplined, connected inventory looks like in plain terms.

Disciplined receiving with a three-way match. When goods arrive, the system checks three documents against each other — the purchase order (what you asked for), the delivery (what actually turned up), and the supplier invoice (what you're being billed for). If they don't agree, you catch it before you pay. You only pay for what you actually received, at the price you agreed — not the shortfall, not the wrong rate.

GRNI control. GRNI stands for *goods received not invoiced* — stock that has arrived and gone onto your shelves, but which the supplier hasn't billed you for yet. Most businesses lose track of this gap entirely. IXL CORE holds it as a real, visible liability, so your books recognise the stock you've received and the money you'll owe for it — no nasty invoice appearing from nowhere at month-end.

Weighted average costing on a proper ledger. When you buy the same item at different prices over time, what did the one you just sold actually cost? Weighted average costing blends your purchase prices into a true running cost per item, kept on a proper ledger rather than a spreadsheet cell. Your valuation and your COGS are calculated from real numbers, so your margin is real too.

Lot tracking and FEFO for perishables. FEFO means *first expiry, first out* — for anything with a shelf life, you sell the batch that expires soonest before the one behind it. IXL CORE tracks stock by lot and steers you to the right batch, so you shift goods before they expire instead of writing them off after they do — and if there's ever a recall, you know exactly which batch went where.

Landed cost. The price on the supplier's invoice is rarely the true cost of getting stock onto your shelf — freight, duty and clearing all add up. Landed cost pushes those charges onto the items they belong to, so an imported product carries its *real* cost, not just its purchase price. Your margin reflects what the goods actually cost you to have, not just to buy.

Barcode and scan-based movements. Every receipt, transfer and sale is captured by scanning rather than typing, which strips out the keystroke errors that quietly corrupt a count. The system stays accurate because the easy way to record a movement is also the correct way.

And because all of this sits on the shared foundation, every one of these events feeds straight into Accounting. A receipt raises the stock and the GRNI liability. A sale posts the COGS at the real weighted cost. A write-off lands in the ledger the moment it happens. Nothing is re-typed, and nothing goes missing between the storeroom and the books.

What it looks like in practice

Before. A delivery arrives and someone updates the system from the order, not the box — including the three units that never came. A product expires quietly in the back and is binned without a note. A sale goes through the ordering app but not the storeroom. Stock value is a round number finance carries forward each month. At quarter-end, a full count reveals the shelf and the system are thousands apart, the write-offs were never booked, and last quarter's profit — and the tax on it — was overstated.

After. The delivery is received against the order and the invoice in one three-way match, and the short-shipped units are flagged before payment. The perishable item is picked first under FEFO and sold before it expires. The sale posts its cost at the real weighted average the instant it goes through. The expired unit that does get written off lands in the ledger the same day. There is no quarter-end surprise, because the shelf, the sales system and the books have been telling the same story all along.

The outcome

When inventory becomes accurate, correctly costed and connected, the change isn't a tidier warehouse. It's a business that can trust its own numbers. You know what you hold and what it's worth. Your margin is real, because your cost is real. Your COGS and your profit are right, so your tax is right. You reorder on the truth instead of a guess, and you stop overselling stock you don't have. The month-end scramble to reconcile the storeroom with the ledger disappears — because there was only ever one truth to begin with.

The question for any growing business isn't *"when should we count again?"* It's *"how many decisions are we making on stock numbers we already know are wrong?"*

About IXL CORE

IXL CORE is the Business Operating System for growing businesses — one connected platform for customers, money, stock, people and work, shaped to your industry and built for how businesses across Africa actually operate. Because Supply Chain and Accounting share one foundation, your stock records, your costs and your ledger are finally the same truth — accurate, correctly costed and connected. Learn more at ixlcore.com, or sign in at app.ixlcore.com.