Inventory and COGS controller case

LumenTrail Commerce Demo LLC | December 2024

The count agreed. The inventory value still did not.

The fictional warehouse count supports the expected units, but the books show only $5,630.00 of inventory. The investigation finds a duplicate product-cost posting, inbound freight charged directly to expense, and a separate shipment owned before year-end but received in January.

The work below follows each issue from source records to proposed treatment and a checked financial result. This is an independently constructed monthly scenario. It does not correct or reconcile to the annual LumenTrail dataset or Portfolio 01.

The simulated financial effect

Measure	Before review	After simulated entries
Revenue	$54,000.00	$54,000.00
Total COGS	$18,720.00	$17,258.82
Gross margin	65.33%	68.04%
Operating expenses	$18,000.00	$16,200.00
Net income	$17,280.00	$20,541.18
Total owned inventory	$5,630.00	$14,891.18
Accounts payable	$18,000.00	$24,000.00

What the owner learns

Inventory increases by $9,261.18, but profit increases by $3,261.18. The $6,000.00 difference is the unpaid transit purchase, which adds an asset and a liability without changing profit. Cash does not change from these adjusting entries.

The profit movement is an accounting correction within the demonstration. It is not new earnings, recovered cash or a claimed saving for a real client.

Fictional demonstration. All source references, quantities, costs and outcomes are simulated. No live QuickBooks account was changed.

What the investigation established

One dispatch had two product cost postings

The integration extract identifies INT-001 against dispatch DS-001 for 200 units of LT-100. The ledger contains COGS-001 and DUP-001, each charging $2,400.00 to product COGS and reducing inventory by the same amount. The dispatch record shows one stock movement.

Treatment: reverse DUP-001 only. Retain the legitimate sale and original product cost. The simulated reversal increases inventory and profit by $2,400.00. This conclusion depends on the shared batch, matching cost and single dispatch, not merely similar amounts.

Completion check: one valid COGS posting remains for INT-001; the reversal does not change revenue or the quantity movement.

Freight belonged partly to unsold inventory

FREIGHT-D01 contains $1,800.00 of eligible inbound transport across six December purchase lots. The carrier manifest supports 510 kg. The invoice was charged entirely to operating expense, while recorded product COGS contains goods cost only.

Treatment: allocate the invoice to those purchase lots by actual weight. FIFO releases $938.82 of freight with units sold and retains $861.18 in closing inventory. Opening stock receives none of this new freight charge.

Completion check: the full invoice is allocated once; product cost plus freight equals landed cost; sold and unsold layers account for all available value.

The warehouse count excluded goods already owned

INV-TRANSIT-01 identifies 200 units of LT-400 at $30.00 each. Scenario contract OWN-01 and the carrier record establish ownership on December 29 dispatch. The goods arrive January 3 and the supplier invoice was omitted from the December ledger.

Treatment: record $6,000.00 of inventory in transit and accounts payable at December 31. Do not add these units to the warehouse count. Do not record COGS before sale.

Completion check: owned stock includes the shipment once. Match the January invoice to the accrual and transfer the value from transit to warehouse when received.

The evidence trail

The workbook retains the unadjusted ledger and separate fictional source extracts. Each simulated entry links to its source or calculation. Correction status means verified within this model, not externally confirmed or posted in a client system.

How the stock valuation was rebuilt

For each SKU, opening units plus received units less units sold agree to the December 31 count. FIFO then assigns the oldest cost layers to sales and retains the remaining layers in inventory.

SKU	Opening	Received	Sold	Closing count
LT-100	200	500	480	220
LT-200	100	300	250	150
LT-300	150	350	320	180

Closing warehouse valuation

SKU	Goods value	Freight retained	Landed value
LT-100	$3,060.00	$310.59	$3,370.59
LT-200	$3,250.00	$423.53	$3,673.53
LT-300	$1,720.00	$127.06	$1,847.06
Total	$8,030.00	$861.18	$8,891.18

One FIFO layer in detail

LT-100 begins with 200 units at $12.00. The next lot contains 300 units at $13.00, plus $423.529412 of allocated freight. The final lot contains 200 units at $14.00, plus $282.352941 of freight. Sales of 480 units consume all opening stock and 280 units from the next lot.

Closing stock is therefore 20 units from the $13.00 goods-cost layer and all 200 units from the $14.00 layer. Goods value is $3,060.00. Retained freight is $310.59. The supported simulated closing value is $3,370.59.

The inventory bridge

Component	Amount
Unadjusted warehouse inventory	$5,630.00
Duplicate COGS reversal	$2,400.00
Inbound freight capitalized	$1,800.00
Freight released to COGS	($938.82)
Adjusted warehouse inventory	$8,891.18
Owned goods in transit	$6,000.00
Total owned inventory	$14,891.18

Source: workbook Sources, FIFO and Landed Cost, and Reconciliation. Extended values are rounded by lot; unit costs retain allocation precision. No returns, shrinkage or write-downs occur in this defined scenario.

The entries and final completion checks

These balanced entries show the accounting treatment supported by the fictional facts. They are separate from the original recorded ledger and are applied only to the adjusted comparison.

Entry	Debit	Credit	Amount
AJ-01	Inventory - Online Store	Product COGS - Shopify	$2,400.00
AJ-02	Inventory - Online Store	Inbound Freight Expense	$1,800.00
AJ-03	Product COGS - Shopify	Inventory - Online Store	$938.82
AJ-04	Inventory - In Transit	Trade Accounts Payable	$6,000.00

Before any change in a live accounting file

Locate the exact entry and supporting record. Check reconciliation status, closed periods and integration links. Use a traceable reversal for the confirmed duplicate in this scenario. Preserve the valid sale and original stock movement. For the transit accrual, define the January matching step to prevent a second purchase posting.

What was checked in the model

Completion check	Result
Unadjusted ledger and adjusting entries	Debits equal credits
Quantity roll-forward and physical count	Zero unit differences for all three warehouse SKUs
Freight allocation and FIFO value roll-forward	Difference $0.00
Corrected inventory and supporting valuation	Difference $0.00
Before and after Balance Sheet equations	Both balance
Stock availability at each dispatch date	No negative stock balance

A close that can be repeated

The next monthly close would use the same controls: reconcile inventory quantities and valuation, check integration batches for duplicate imports, allocate eligible actual landed costs, review ownership and cutoff, then explain the material effects on margins and the Balance Sheet.

This demonstration covers an inventory and COGS investigation. It is not a full review of the business, a forecast or an inventory software implementation. The supporting extracts are fabricated scenario records, not reviewed third-party documents.

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