Working with Landed Cost

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Landed cost refers to the total price of a product that has arrived at a buyer's doorstep. Tracking the landed cost can help you establish proper sales prices and determine the actual margin for your products. This helps you appeal to customers (by estimating costs low enough) and maintain earnings (by estimating costs high enough).

The *fully realized* landed cost includes the initial price of the product, as well as freight and transportation fees, various taxes, insurance, currency conversions, plus fees for crating, handling, and payment. These individual costs are each a small part of the value of the received goods. Developing a fully realized landed cost is a substantial project. It would require your accounting department to capture *every* cost of doing business associated with each product.

It is more feasible to focus on the most significant expenses. aACE makes it easy to integrate the most common expense — freight costs. This allows you to incorporate the cost of freight into the value of your inventory, rather than track it as a separate expense.

Use the +Freight Column for Purchases

Your system administrator must configure your system to track landed costs (see below). Then the +Freight column will display on the detail view of the Purchases module. Team members can manually enter a freight value for each item in the purchase:
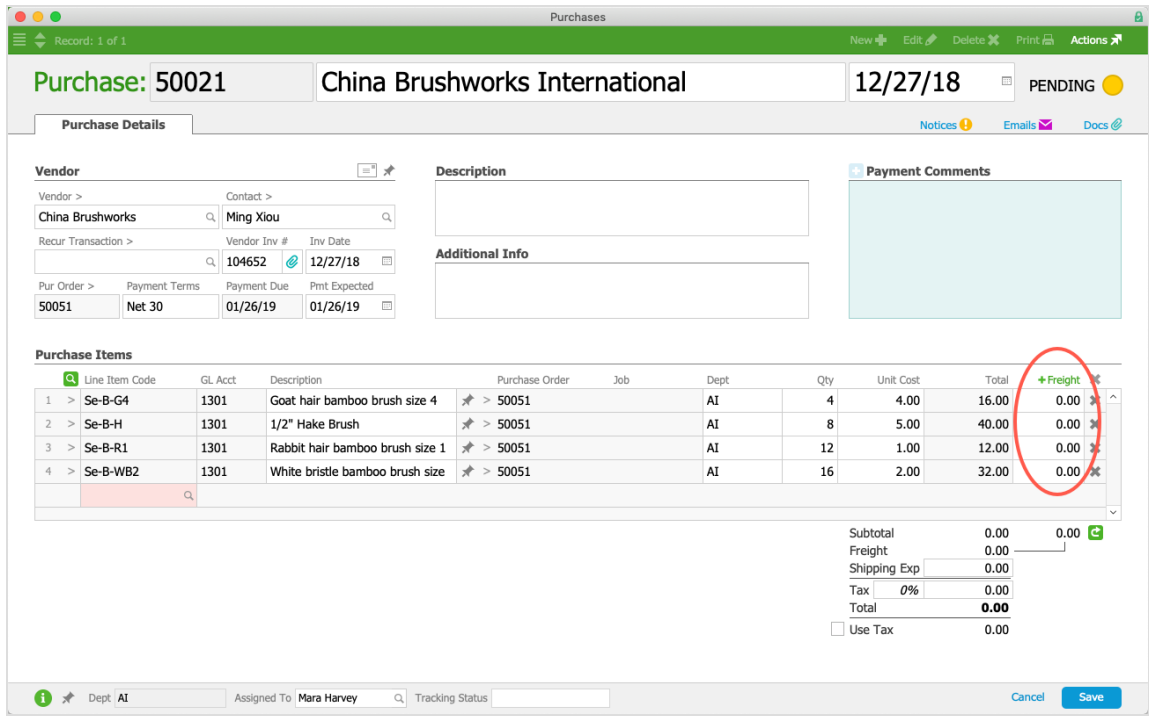
Distributing Freight Costs Across Line Items

Instead of manually entering a value for each item, you can easily apportion the total cost of freight across all items in the purchase:

1. From the Purchase record, click the **+Freight** column heading.
   This displays the Freight Charge dialog box:
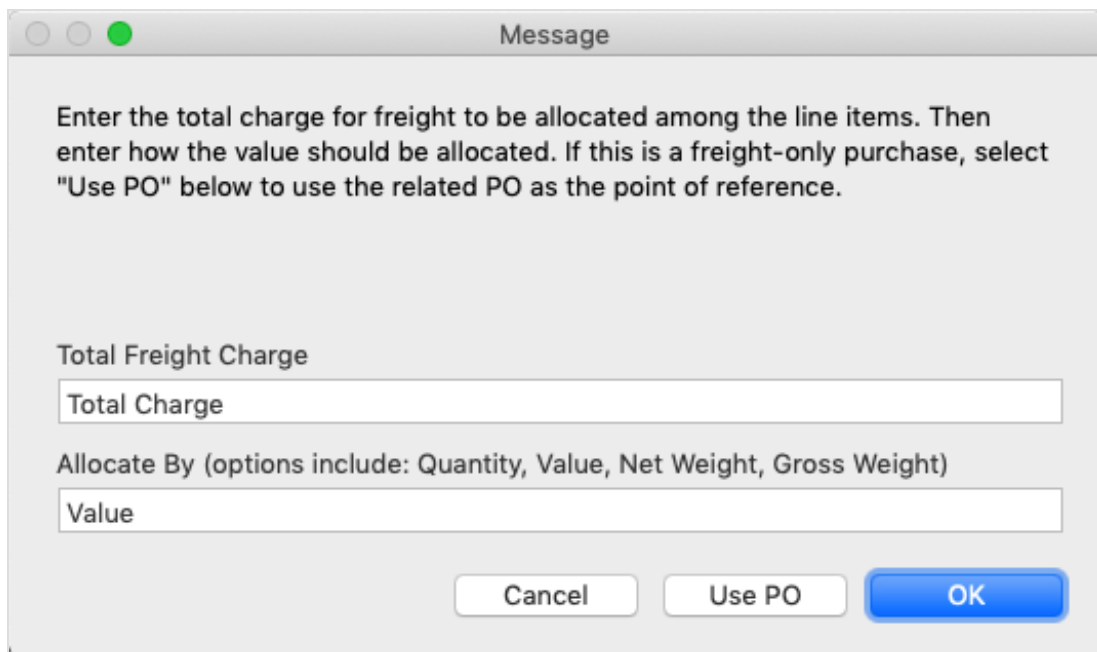
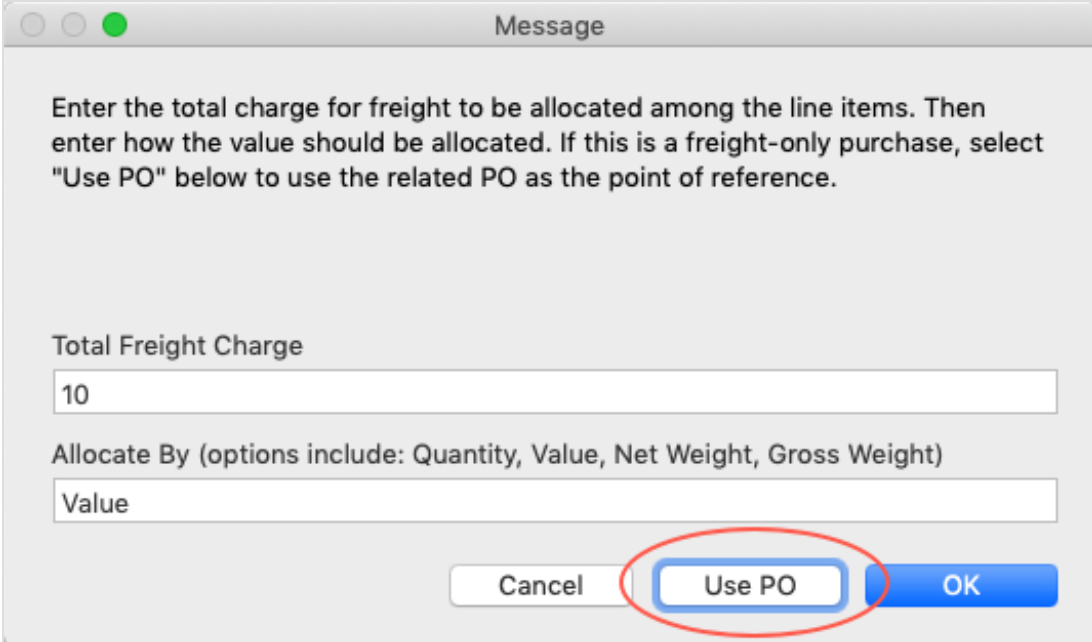2. Enter the **Total Freight Charge** amount.

3. Click the **Allocate By** field and specify the criteria that should be used.
   Note: To use Net Weight or Gross Weight, the weight measurements for the line item codes must already be entered.
4. Click **OK**.

Recording Freight Charges from a Separate Courier

When you need to pay a separate courier for the cost of freight, the process is slightly different:

1. From the PO, create a purchase.
2. From that Purchase record, change the vendor to the courier company.
3. Click the **+Freight** column heading, then enter the freight amount and allocation option.
4. Click **Use PO**.
   This calculates the freight allocation based on item values / quantities from the related PO.

Reviewing Landed Costs for an Inventory Lot

You can review landed costs for various LICs at the Inventory Lots module. Navigate to Menu > Inventory > Inventory Lots, then use the Quick Search bar to locate records for the LIC you want to review. On the Inventory Lot detail view, the Purchased value in the Ordered / Purchased section displays the item's landed cost (product cost + freight cost):

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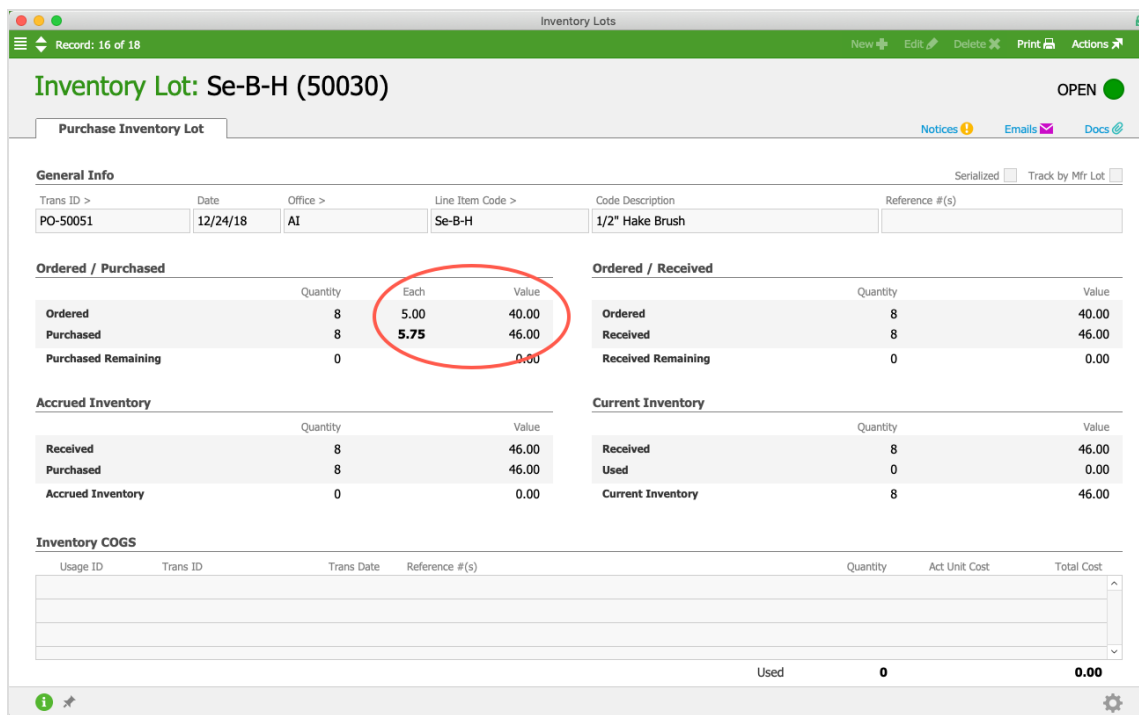
Configuring Your System for Landed Costs

Your system administrator must activate the settings that display the +Freight feature on the Purchase module interface:

1. Navigate to **Menu** > **Accounting** > **Preferences** > **Data Entry**.
2. In the Inventory section, mark the flag to **Manage landed cost**, then click **Commit Updates**.

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Accounting Preferences

Accounting Preferences
Chart of Accounts
Billing & Payment Terms
Adjustment Codes
Currency Conversion
Period Management
Data Entry

Integrations
OpenEdge (CC & ACH)
X-Charge (CC)
X-Check (E-Check)
Sage Pay (CC)
AvaTax

Date Management
[X] Update Order Date to today on open.
[X] Update PO Date to today on open.
[X] Update Shipment Delivery Date to today when shipped/received.
[X] Update Purchase Date to Vendor Invoice Date.
[ ] Update Receipt Date to today on post.
[ ] Update Invoice Date to Receipt Date on post.
[ ] Update Disbursement Date to today on post.

Post Date Limit
30 Days

Multi-Office Preferences
[ ] Prevent multi-office cash transactions.
[ ] Manage office general ledgers separately.

Invoicing (Sales Taxes)
[ ] Use tax rates from order when invoicing.
[X] **Round taxes at the line item.** This must be enabled if line items for a single transaction may have different tax profiles.

Timesheets
[ ] **Generate GL entries from timesheets upon approval.** This will post the labor expense to accrued wages.
[ ] **Allow timesheets to auto-approve.** Deselect this to have more control over when GL entries are created.
[ ] **Allow purchases to be generated from timesheets for freelancers.**
    [ ] Generate a separate purchase for each office.

Misc Line Item Codes
Adjustments >	Shipping >	Deposits >	Finance Charge >	Historical Balances >
ADJ	SHIP	DEPOSIT		HIST

Oversight Notifications
Send an oversight notification:
[ ] If an order's margin is less than ____ for orders over ____
[ ] If a purchase exceeds its PO by more than ____ for POs over ____
[ ] If the statement shipping cost exceeds its estimated cost by ____ for values over ____
[X] Once a customer's order volume exceeds 0.00
[X] Once a vendor's purchase volume exceeds 600.00

Check Printing
Checks Layout: 3-Part Top
Check Direction: Face Up

[+] Signature

Dimensions: 210px wide by 35px tall
File Format: JPEG or PNG, RGB colorspace

[ ] **Use logged in team member's signature when printing checks.** This can be found in their team member record.

Purchasing
[ ] Auto-generate pending vendor credit memos for returns.
[X] Show "Invalid PO" indicator for POs printed while pending.

Inventory
COGS Method
LIFO

[X] **Manage landed cost.**
[ ] Prevent inter-office COGS transactions.
[ ] Update job costs with inventory actual cost.

Commit Updates