

Freight Options

Last Modified on 01/14/2022 1:58 pm CST

There are a variety of ways freight is handled when entering a purchase, depending on if the freight vendor is the same as the product vendor.

Product Vendor is the Freight Vendor

It is easy to apply the freight cost to the product if the product vendor also delivers the product. There are two cases here:

- **Freight figured into cost of product** – Process the purchase. Freight in this case is not separated and nothing posts to the freight expense account.
- **Freight as a separate line item** – Indicate actual freight (*Actual Total\$* or *Actual \$/Unit*) at the *Purchase Invoice* screen and then the cost is pro-rated over all the items on the bill. In this case, the general journal entry includes a debit to the freight expense account for the amount of the freight.

Freight Vendor is a Third Party

In this case, the amount of freight may not be known at the time the product invoice is received. There are two choices in this case:

- **Estimated Freight** – The freight cost can be estimated by entering estimated freight at the *Purchase Invoice* screen and selecting *Estimated \$/Unit* or *Estimated Total \$*. This makes a separate general journal entry debiting the freight expense account and crediting the estimated freight liability account. When the actual freight bill comes, use the *A/P / Reconcile Estimated Freight* utility to create the A/P bill using the estimated freight G/L account. By using the *Estimated Freight* function, the freight is expensed in the same fiscal period as the product.
- **Enter a new Purchase** – Optionally enter a Purchase Invoice for the product that was hauled. Enter a zero quantity of the product and enter the freight cost in the *Freight* area with *Actual Total \$* selected, and then choose **Apply Freight**. This adjusts the cost of the product (on-hand minus unprocessed) by the freight expense.

If the charge for *Freight* is included in the cost of the product on the Purchase Invoice, then actual or estimated *Freight* does not need to be used. Simply enter the Purchase Invoice with the costs the vendor indicates.

Actual Freight

- *Actual Freight* is used when the product vendor shipped the product and the Invoice includes a separate line item for the *Freight* charge (the *Freight* is not figured into the unit cost).
- The actual *Freight* charge is added to the *Net* amount due on the Purchase Invoice.
- If the Purchase Invoice contains multiple line items, the *Freight* cost is prorated across all items and included in the cost of the products.

- G/L posting for the Purchase Invoice is a debit to the *Cost of Goods/Purchases #* account(s) of the department(s) for the cost of the products, a debit to the *Freight/Add On #* account(s) of the department(s) for the cost of the *Freight*, and a credit to Accounts Payable.

Estimated Freight

- Estimated *Freight* is used when the *Freight* will be charged by a vendor (3rd party vendor) that is not the product vendor. In these cases, the *Freight* charge amount may or may not be known.
- Even if the exact amount of the *Freight* charge is known, estimated *Freight* must be used because the bill for freight comes from a different vendor than from who billed for the product.
- The estimated *Freight* charge is not added to the *Net* amount due on the Purchase Invoice.
- If the Purchase Invoice contains multiple line items, the estimated *Freight* cost is prorated across the line items and included in the cost of the products.
- When the Purchase Invoice is saved, two journal entries are created. One entry debits the *Cost of Goods/Purchases #* account(s) of the department(s) and credits Accounts Payable. The second entry debits the *Freight/Add On #* account(s) of the department(s) and credits the location's *Estimated Freight* liability account.
- When the bill from the third party freight vendor is received, navigate to *A/P / Reconcile Freight/Additional Charges* to reconcile the estimated *Freight* amount to actual and post the freight bill.
- If there is a difference between the estimated and actual *Freight* amounts, a journal entry is automatically posted for the difference using the Inventory Department's *Cost of Goods/Purchases #* account and the location's *Estimated Freight* liability account.

Note: The costs on the individual products are not updated by this difference between estimated *Freight* and actual *Freight*. If the difference is a large amount, it is best to void the Purchase Invoice, and re-enter it with the applicable estimated *Freight* so the costs of the products are appropriately updated.

Freight - Another Method

- Use this method if freight will be billed through a vendor that is not the product vendor, and the *Freight* amount is not known.
- Note:** Although this process gets the freight bill entered in the system and the *Freight* cost onto the product, there are circumstances where this process could have undesirable results on the cost of the product.
- Enter the Purchase Invoice for the product(s) just as would be done for any product without *Freight*. In other words, don't apply any *Freight*.
 - When the freight bill arrives, enter a Purchase Invoice for the *Freight Vendor* and the products from the original Purchase Invoice at zero quantities.
 - In the bottom left, choose *Actual Total\$ Freight*, and enter the total *Freight* charge. When the *Freight* is applied, it will all be pushed to the last line item on the Purchase Invoice.
 - In the *Freight* column in the Purchase Invoice grid, enter the correct amount of *Freight* for each line item.

- This updates the cost of the product and creates an A/P Bill for the *Freight Vendor*.

Prorating Freight

When entering freight per unit on a Purchase Invoice or Purchase Order, the freight cost is prorated based on quantity of each line item. When entering freight as a total dollar amount, it is prorated based on the total dollars of line items.

The Purchase Receipt behaves the same way if there is an estimated cost entered for each line item. If there is no cost and the products are not in estimated average cost departments, Agvance will prorate the freight based on the last cost of each product.

For freight to be distributed differently, edit the *Freight* column in the grid for each of these transactions. To access the column, select any cell in the *Product* grid and press the **Right Arrow** key until the *Freight* column is visible.