Rundoo

PURCHASING & INVENTORY

Landed Costs

> Put freight where it belongs: in the real cost of each product, not off in a separate expense line.

Step-by-step walkthrough 4 min read Companion to the 3 min video

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A shipment shows up and the freight has to go somewhere. It used to get parked in a separate expense account, which meant the cost on your product looked lower than what it really took to get it on the shelf. Landed costs fixes that: it rolls the freight straight into each product's cost, so your margins and your books tell the truth.

THE IDEA

Freight becomes part of the product's cost

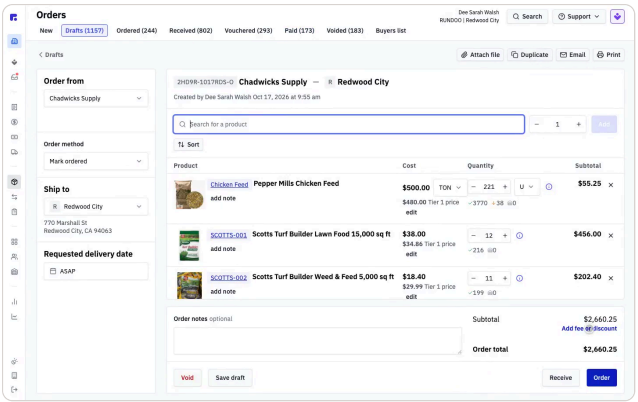
When you add a shipping fee to a purchase order, you choose how Rundoo spreads it across the items on the order. Either way the total you pay the vendor is the same. What changes is how much of the freight lands on each product, which is what drives how profitable that product looks and how you price it.

DO THIS

Add and distribute a shipping fee, step by step

1 Open the purchase order with your items on it

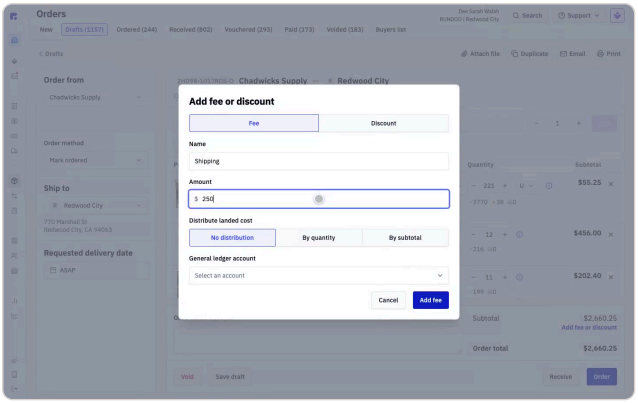
Start from **Orders** and open (or build) the order for the shipment that arrived. This one is from Chadwicks Supply, with Pepper Mills Chicken Feed and a run of lawn and garden products.



The purchase order before the freight is added.

2 Add the shipping fee

Click **Add fee or discount**, keep it on **Fee**, name it something like **Shipping**, and enter the amount off the invoice. In this example the freight is $250.



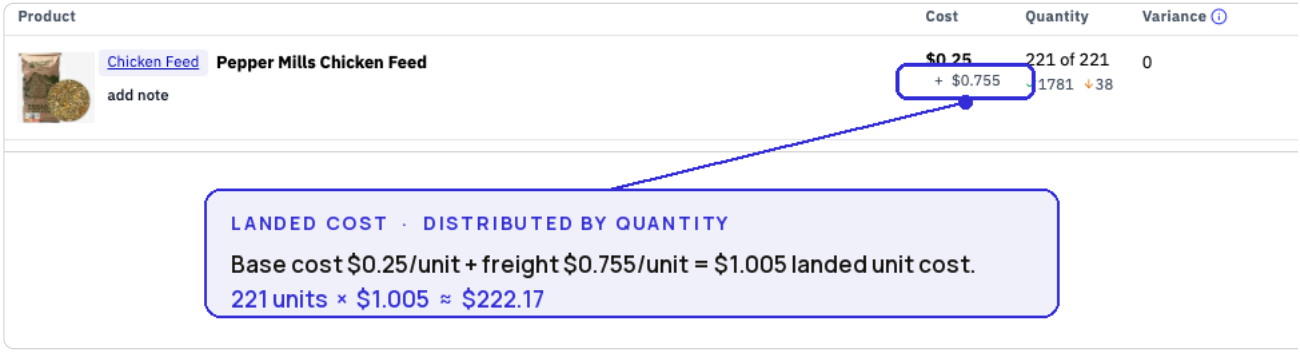
Name the fee, enter the amount, then choose how to distribute it.

3 Choose how to distribute the landed cost

Under **Distribute landed cost** you have three choices. **No distribution** leaves the fee as its own line. **By quantity** spreads it evenly across the number of units. **By subtotal** weights it by each line's share of the order's dollar value. Pick one and click **Add fee**.

4 See it land on the product cost: by quantity

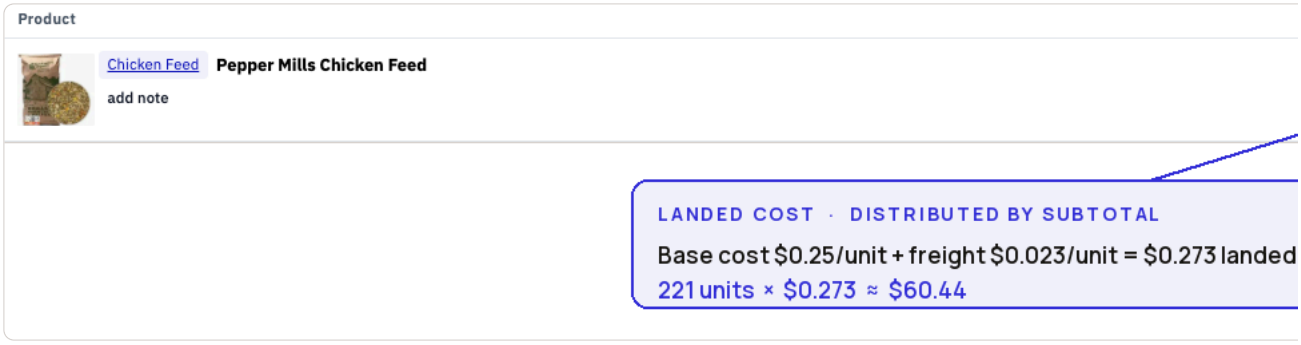
By quantity splits the freight equally across every unit on the order. Here the freight works out to $0.755 per unit, so Pepper Mills Chicken Feed goes from a base cost of $0.25 to a landed cost of $1.005 a unit.



By quantity: every unit carries the same slice of freight.

5 Or distribute by subtotal

By subtotal spreads the freight by each line's dollar share instead. Because the chicken feed is a lower-dollar line, it picks up only about $0.023 per unit, landing at $0.273 a unit. Same $250 shipping, a very different cost on this product.



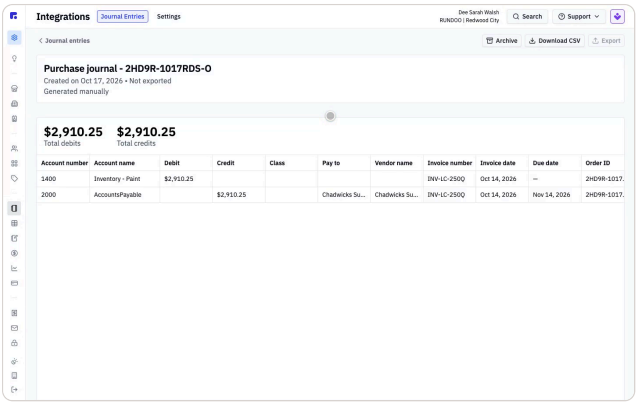
By subtotal: the freight follows the dollars, not the units.

6 Carry the order through to paid

Send it with **Order**, receive the shipment with **Receive and close**, enter the vendor invoice and **Voucher** it, then **Mark as paid**. The landed cost rides along the whole way.

7 Check the general ledger

On the paid order, **Generate purchase journal** and open it under Admin, Integrations, Journal Entries. The freight is capitalized into the Inventory account, not booked as a separate freight expense. The full order total posts as a debit to Inventory and a credit to Accounts Payable.



The whole cost, freight included, lands in Inventory (1400) against Accounts Payable (2000).

KEEP IT HANDY

The two strategies at a glance

BY QUANTITY	BY SUBTOTAL
Even per unit	**By dollar share**
Chicken feed: +$0.755/unit, lands at $1.005	Chicken feed: +$0.023/unit, lands at $0.273
ON THIS PRODUCT	**ON THE ORDER**
$222.17 vs $60.44	**Same total**
What the chicken feed line books to Inventory, by quantity vs by subtotal	All of it is capitalized to Inventory 1400, not a freight expense

Good to know

- Neither strategy is wrong. The total paid on the order and the total booked to your inventory account are the same either way.
- The choice only changes how much freight lands on each product, which is what affects how profitable that item looks and how you price it.
- Choose the method that matches how your store thinks about cost. It can be set per order, so you can pick what fits each shipment.