

PUBLIC

How to Manage Landed Costs

Countries: All



Solutions from SAP

SAP Business One
2007 A and 2007 B

December 2008

English

THE BEST-RUN BUSINESSES RUN SAP™



Contents

How to Manage Landed Costs	3
Introduction	3
Business Scenario Description	3
Defining Imported Goods	4
Defining Landed Costs	5
Defining G/L Accounts for Landed Costs (Only Perpetual Inventory Companies)	6
Posting Landed Costs Documents (Only Perpetual Inventory Companies)	7
Posting Landed Costs Documents (Only Non-Perpetual Inventory Companies)	9
Landed Costs Documents	11
Copyrights & Trademarks	18

How to Manage Landed Costs

Introduction

This document describes how to handle landed costs in SAP Business One 2007 A and 2007 B. It replaces the information regarding landed costs that is contained in the online help.

The document covers the following topics:

- Business scenario and import process using landed costs.
- Initial definitions to make before working with landed costs documents, such as defining the imported goods and G/L accounts for allocating the additional expenses.
- How to post landed costs documents.
- Description of the most important fields in the landed costs window.

Business Scenario Description

When importing goods, companies incur certain additional costs, such as customs, transport and insurance fees, or taxes. These additional costs can be allocated to the imported items and reflected in the accounting system using the *Landed Costs* function in SAP Business One.

The import process consists of the following steps:

1. Sending a purchase order to a vendor overseas

You send a purchase order to a vendor overseas in exactly the same way you would send a purchase order to one of your local vendors. This step is optional. However, the purchase order updates the available stock quantity of the ordered items.

2. Creating a goods receipt purchase order (PO)

This step is mandatory. The goods receipt PO creates an inventory receipt transaction and is recorded in the same manner as a goods receipt PO from a local vendor. SAP Business One uses the goods receipt PO as the base reference for the entire import process; therefore, you must specify the item prices and quantities correctly.

The item prices you specify in the goods receipt PO document are the vendor's prices (Ex Works or FOB price), excluding the additional costs, which are allocated later for the entire shipment. The total amount of the goods receipt PO should be the overall expected price your vendor charges you for the shipment, excluding the additional costs you must pay other parties, such as your customs broker.

3. Creating an A/P invoice

To complete the accounting transaction of the import process, create an A/P invoice (item type) based on the goods receipt PO as soon as you receive the vendor's invoice. Create the A/P invoice the same way that you would create an A/P invoice sent from one of your local vendors. You can create the A/P invoice at anytime and regardless of the date when you actually record the landed costs document.

4. Creating a landed costs document

You create a landed costs document based on the goods receipt PO to update the cost price of the imported items. This is required for carrying out the inventory valuation and calculating the gross profit, or any other inventory-related calculation. Typically, you create the landed costs document after you receive invoices from your customs broker or shipping agency.

For companies running a perpetual inventory system, creating the landed costs document automatically posts a journal entry in the accounting system, updating the moving average and the FIFO price of the imported items.

For companies not running a perpetual inventory system, creating the landed costs document does not post a journal entry.

Defining Imported Goods

Use

Use the *Item Master Data* window to define the goods you are importing. To allow calculation and allocation of the landed costs according to weight or volume, specify the dimensions of the item as well as the volume and weight. If the item you are importing is liable to customs, link it to a customs group.

Prerequisites

You have defined the units of measure in the setup of SAP Business One:

- Administration → Setup → Inventory → Length & Width UoM
- Administration → Setup → Inventory → Weight UoM

Procedure

1. From the SAP Business One *Main Menu*, choose *Inventory* → *Item Master Data*.
2. On the *Purchasing Data* tab, enter the following data:

Field	User Action and Values
<i>Length</i>	Enter the length of the item and the code of the unit of measurement as defined in the setup.
<i>Width</i>	Enter the width of the item and the code of the unit of measurement as defined in the setup.
<i>Height</i>	Enter the height of the item and the code of the unit of measurement as defined in the setup.
<i>Volume</i>	The item's volume is calculated as a function of <i>Height X Length X Width</i> . You can also type a value for volume instead of specifying these other units of measure.
<i>Weight</i>	Enter the weight of the item and the code of the unit of measurement as defined in the setup.
<i>Customs Group</i>	If the item you import is liable to customs fees, enter the customs group.



NOTE

If you only enter a value for the dimensions and no unit of measurement, the system automatically inserts the unit of measurement you defined in the setup. You can also enter a different unit of measurement.

3. Choose *Update*.

Defining Landed Costs

You define landed costs to process the costs of importing a delivery from abroad. These costs are then distributed among the items in the delivery according to a specific key.

All landed costs you define here, are displayed on the *Costs* tab of the landed costs document.

Procedure

1. From the SAP Business One *Main Menu*, choose *Administration* → *Setup* → *Purchasing* → *Landed Costs*.
2. In the *Landed Costs - Setup* window, enter the following data:

Field	User Action and Values	Comments
<i>Code</i>	Enter the code of the landed cost.	
<i>Name</i>	Enter the name of the landed cost, for example Insurance , Shipping , or Storage .	
<i>Allocation By</i>	<p>Specify the distribution type for the landed cost. The available values are as follows:</p> <ul style="list-style-type: none"> • <i>Cash Value Before Customs</i> The related costs are distributed in relation to the share of an item of the total FOB price of the delivery (without customs). • <i>Cash Value After Customs</i> The related costs are distributed in relation to the share of an item of the total FOB price of the delivery plus customs. • <i>Quantity</i> The related costs are distributed according to the quantity of an item in proportion to the total quantity of the delivery. • <i>Weight</i> The related costs are distributed according to the weight of an item in proportion to the total weight of the delivery. • <i>Volume</i> The related costs are distributed according to the volume of an item in proportion to the total volume of the delivery. • <i>Equal</i> The related costs are distributed equally among the delivery items. 	
<i>Landed Costs Alloc. Account</i>	Specify the G/L account for clearing non-customs expenditures (reposted through the landed costs document) between the A/P invoice (service type) and the landed costs document.	Only for companies using perpetual inventory

3. To save your entries, choose *OK*.

Defining G/L Accounts for Landed Costs (Only Perpetual Inventory Companies)

For perpetual inventory companies, posting a landed costs documents automatically creates a journal entry. Therefore, you must define the following accounts:

- Landed costs allocation account
G/L account for clearing non-customs expenditures (reposted through landed costs document) between the A/P invoice (service type) and the landed costs document
- Customs allocation account
G/L account for clearing customs expenditures (reposted through landed costs document) between the A/P invoice (service type) and the landed costs document
- Customs expense account
G/L account relating to customs expenditures from landed costs document distributed to a particular customs group

Defining the Landed Costs Allocation Account

1. From the SAP Business One *Main Menu*, choose *Administration* → *Setup* → *Purchasing* → *Landed Costs*.
2. In the *Landed Costs – Setup* window, specify the landed costs allocation account.

Defining the Customs Allocation Account

1. From the SAP Business One *Main Menu*, choose *Administration* → *Setup* → *Inventory* → *Customs Groups*.
2. In the *Customs Group – Setup* window, specify the customs allocation account.

Defining the Customs Expense Account

1. From the SAP Business One *Main Menu*, choose *Administration* → *Setup* → *Inventory* → *Customs Groups*.
2. In the *Customs Group – Setup* window, specify the customs expense account.

Posting Landed Costs Documents (Only Perpetual Inventory Companies)

Use

You use a landed costs document to update an item's cost price, which is required for calculating the inventory valuation, gross profit or any other inventory-related calculation. For perpetual inventory companies, posting the landed costs document automatically creates a journal entry, reflecting the additional costs (for example, customs, insurance, transport) in the accounting system.

You can base a landed costs document on goods receipt POs (also partially returned) and on another landed costs document. You can base a landed costs document on another landed costs document. For example, you can update the landed costs amounts in the accounting system for incoming insurance or shipping invoices. Another example is documents that support landed cost estimations that are made in certain countries such as Canada.

In addition, it is possible to link one goods receipt PO to several landed costs documents.

Prerequisites

You have created a goods receipt PO document for your overseas vendor.

Procedure

1. From the SAP Business One *Main Menu*, choose *Purchasing – A/P* → *Landed Costs*.
2. In the *Landed Costs* window, select the vendor you purchased the item(s) from.
3. If the vendor's currency is different from your currency, specify an exchange rate and select the currency for the landed costs document.
4. Choose *Copy From*, to base the landed costs document on a goods receipt PO or another landed costs document.

All item lines are copied into the document. If the landed costs document is based on a goods receipt PO, you can delete some of these lines if necessary.



NOTE

If you want to base the landed costs document on several goods receipt POs, repeat this step as needed. The system displays the following message:

Do you want to delete the previously selected items?

To keep the data from the previously copied goods receipt PO, select *No*.

5. On the *Costs* tab, enter the following data for the relevant landed costs type and choose *Recalculate*:

Field	Description
<i>Allocation By</i>	Distribution method of the landed costs as defined in the <i>Landed Costs – Setup</i> window. You can change the distribution method, if required.
<i>Amount</i>	Actual amount of the landed costs.

6. In the footer area of the *Items* tab, specify the actual customs, if required. If the actual customs differ from the projected customs, choose whether to distribute the difference proportionately between item lines.

**NOTE**

If you do not want customs to affect the stock value, deselect the *Customs Affects Inventory* option.

7. Choose *Add*.

SAP Business One adds the landed costs document and creates the related journal entry. The posted value is only a delta, if the landed costs document is based on another landed costs document.

The goods receipt PO is closed for further allocation of landed costs.

**NOTE**

If you need to allocate additional landed costs to a goods receipt PO, open the goods receipt PO and from the menu bar choose *Data* → *Advanced* → *Open for Landed Costs*.

**NOTE**

If you want to use one landed costs document for importing goods from several vendors (for example, consolidation purchasing in which a single container is used for goods from several vendors to decrease import costs), repeat steps 2-4 before adding the document. The system displays the following message:

Do you want to delete the previously selected vendors?

To keep the data, select *No*.

Posting Landed Costs Documents (Only Non-Perpetual Inventory Companies)

Posting the A/P invoice (service type) for the invoices you receive from your shipping company or customs broker reflects the import costs in the accounting system. You use a landed costs document to update an item's cost price, which is required for calculating the inventory valuation, gross profit or any other inventory-related calculation.

You can base a landed costs document on a goods receipt PO, but you can only create one landed costs document per base document. It is possible to update the landed costs document as long as you have not created a journal entry for it yet.

Prerequisites

You have created a goods receipt PO document for the item.

Procedure

1. From the SAP Business One *Main Menu*, choose *Purchasing – A/P → Landed Costs*.
2. In the *Landed Costs* window, select the vendor you purchased the item(s) from.
3. If the vendor's currency is different from your currency, specify an exchange rate and select the currency for the landed costs document.
4. Choose *Copy From*, to base the landed costs document on another document.
All item lines are copied into the document.
5. On the *Fixed Costs* and *Variable Costs* sub tabs of the *Costs* tab, enter the following data for the relevant landed costs type and choose *Recalculate*:

Field	Description
<i>Allocation By</i>	Distribution method of the landed costs as defined in the <i>Landed Costs – Setup</i> window. You can change the distribution method, if required.
<i>Amount</i>	Actual amount of the landed costs.

6. In the footer area of the *Items* tab, specify the actual customs, if required. If the actual customs differ from the projected customs, choose whether to distribute the difference proportionately between item lines.
7. Choose *Add*.



NOTE

If you want to use one landed costs document for importing goods from several vendors (for example, consolidation purchasing in which a single container is used for goods from several vendors to decrease import costs), repeat steps 2-4 before adding the document. The system displays the following message:

Do you want to delete the previously selected vendors?

To keep the data, select *No*.

The landed costs document is added.

The goods receipt PO is closed for further allocation of landed costs.

You can cancel a landed costs document after it is added. To do so, display the required document and choose *Data → Cancel*. This action marks the document as cancelled and allows you to copy its related goods receipt PO to a new landed costs document.

**NOTE**

You cannot cancel a landed costs document for which you have created a journal entry.

Landed Costs Documents

The following section describes the most important fields on the different tabs of the *Landed Costs* window.

Landed Costs – General Area

Use this area to enter general information relevant to all parts of the document and to the import procedure.


To access the area, choose *Purchasing – A/P → Landed Costs*.

Field	Description
<i>Vendor</i>	Specify the vendor code or the vendor name. The remaining field is filled automatically.
<i>Broker</i>	Specify the code or the name of the broker hired to assist with the import and customs procedures. The remaining field is filled automatically. You define brokers as other regular vendors in the business partner master data.
Currency field	Displays the vendor currency and the exchange rate used for the document. You must enter an exchange rate, otherwise you are not able to continue recording the landed costs document. After you specify an exchange rate, you can choose either the vendor currency or your local currency. Your selection determines the currency that monetary values are displayed in the document, that is, transport costs or customs, for example.
<i>Number</i>	Successive number assigned by SAP Business One according to the numbering defined under <i>Administration → System Initialization → Document Numbering</i> .
<i>File No.</i>	Specify the number of the landed costs document as provided by your broker.
<i>Closed Document</i>	Only for non-perpetual inventory companies: Selecting this option closes the landed costs document.


Landed Costs – Items Tab

Use this tab to display the data regarding the imported goods as copied from the base document.

To access the tab, choose *Purchasing – A/P → Landed Costs → Items*.

Field	Description	Displayed in non-perpetual inventory system
<i>Item No.</i>	Item numbers of the imported items as displayed in the selected goods receipt PO documents.	Yes
<i>Quantity</i>	Imported quantities of the items in the selected goods receipt PO documents.	Yes
<i>Base Doc. Price</i>	Unit price that appears in the item row of the goods receipt PO documents.  NOTE If a discount was given in the goods receipt PO document, SAP Business One calculates the base document price as the row price minus the discount amount. This price reflects the net vendor price, excluding import costs.	Yes
<i>Base Doc. Value</i>	Total price from the goods receipt PO document.	No
<i>Base Doc. Val. (FC)</i>	Total price from the goods receipt PO document in foreign currency. Displayed only if landed costs are in foreign currency.	No
<i>Proj. Cust.</i>	Projected customs. It is calculated per unit by multiplying the base document price by the customs rate defined for each item and according to the linked customs group. You can change the value, if the value calculated in this field is not the actual amount you are required to pay.	Yes
<i>Customs Value</i>	Total value of customs per row. If the value calculated in this field is not the actual amount you are required to pay, you can change this value.	No
<i>Expenditure</i>	Expenses for each item unit as calculated in the current document.	Yes
<i>Alloc. Costs Val.</i>	Value of landed costs allocated to the item row.	No
<i>Whse Price</i>	The price of the imported item in your warehouse, calculated as follows: Freight + expected customs + base document price.	Yes
<i>Total</i>	Value calculated by multiplying the price in the warehouse by the imported quantity.	Yes
<i>Expected Customs (FC)</i>	Customs per unit in foreign currency. Displayed only if landed costs are in foreign currency.	Yes
<i>Customs Val. (FC)</i>	Total value of customs per row in foreign currency. Displayed only if landed costs are in	No

Field	Description	Displayed in non-perpetual inventory system
	foreign currency.	
<i>Freight (FC)</i>	Expenditure per unit in foreign currency. Displayed only if landed costs are in foreign currency.	Yes
<i>Alloc. Costs Val. (FC)</i>	Value of landed costs allocated to the item row in foreign currency. Displayed only if landed costs are in foreign currency.	No
<i>Whse Price (FC)</i>	The price of the imported item in your warehouse, calculated as follows: Freight (FC) + expected customs (FC) + base document price.	Yes
<i>Total (FC)</i>	Sum of (freight FC + expected customs FC + base document price) * quantity.	Yes
<i>Total Costs</i>	Total value of expenditure per line.	No
<i>Total Costs (FC)</i>	Total value of expenditure per line in landed costs currency. Displayed only if landed costs are in foreign currency.	No
<i>Warehouse</i>	Warehouse in which the imported item is located.	Yes
<i>Release No.</i>	Release number for customs purposes.	Yes
<i>Var. Costs (FC)</i>	Variable costs per item. Only relevant for non-perpetual inventory companies.	Yes
<i>Const. Costs (FC)</i>	Total expenditure taken from costs tab divided by quantity. Displayed only if landed costs are in foreign currency.	Yes
<i>Customs</i>	Total value of customs per line in local currency.	Yes
<i>GRPO Row Number</i>	Item number taken from the base document.	No
<i>Customs (FC)</i>	Total value of customs per line in foreign currency.	Yes
<i>Projected Customs</i>	Total sum of customs per unit from all lines, which is calculated automatically.	Yes
<i>Actual Customs</i>	Enter the total sum of customs per unit from all lines.	Yes
<i>Customs Affect Inventory</i>	If you select this option, the customs fees affect the stock value.	No
<i>Total Freight Charges</i>	Sum of expenditure * quantity for all lines.  NOTE For perpetual inventory, this is the sum of total costs.	Yes
<i>Amount to Balance</i>	Difference between sum of amounts in <i>Costs</i> tab and <i>Total Freight Charges</i> on <i>Items</i> tab.	Yes

Field	Description	Displayed in non-perpetual inventory system
	 NOTE In perpetual inventory, you can only post the document, if the value is zero.	
<i>Before Tax</i>	Sum of base document price + (expenditure*quantity) + projected customs.	Yes
<i>Tax 1</i>	Enter the tax amount relevant for the imported items. This has no impact on the journal entry.	Yes
<i>Tax 2</i>	Enter the tax amount relevant for the landed costs. This has no impact on the journal entry.	Yes
<i>Total</i>	Displays the overall amount of the document (before Tax + Tax 1 + Tax 2).	Yes
<i>Remarks</i>	Displays the reference numbers or the vendor numbers for the goods receipt PO used in the landed costs document, and depends on the default settings made. You can change the remarks, if required.	Yes

Landed Costs – Items Tab, Row Details

For each item row, you can view the details, such as the vendor, price list and inventory valuation information. To access these details, right-click on an item row and choose *Row Details*.

Field	Description
<i>Item No.</i>	Item number as specified on the base document.
<i>Description</i>	Item description as specified on the base document.
<i>Qty</i>	Quantity of items as specified on the base document.
<i>Weight</i>	Weight defined for the item.
<i>Volume</i>	Volume defined for the item.
<i>Unit of Volume</i>	Unit of volume defined for the item.
<i>Base Doc. Price</i>	Amount as specified on the base document.
<i>Rate</i>	Rate as specified on the base document.
<i>Proj. Customs</i>	Amount of expected customs as recorded for this particular item on the <i>Item</i> tab.
<i>Base Doc. Value</i>	Total price from the goods receipt PO document.
<i>Expenditure</i>	Expenses for each item unit as calculated in the current document.
<i>Factor Before Cust.</i>	Factor before customs. To estimate the costs allocated on the item price resulting from the import process, it is essential to

	<p>calculate the cost factor for each item. You can then use this value to calculate the ration between the base document price of the item and its landed costs amount.</p> <p>EXAMPLE</p> <p>A factor including customs of 80% is calculated for an item with a price of \$100 and \$80 landed costs.</p>
<i>Factor Inc. Cust.</i>	<p>Factor including customs. This factor considers the customs factor for the calculation of the item's cost price.</p> <p>EXAMPLE</p> <p>A factor including customs of 90% is calculated for an item with a price of \$100, \$80 landed costs and \$10 customs.</p>
<i>Vendor</i>	Vendor as specified on the base document.
<i>Price List</i>	Specify the price list that is updated automatically as a result of adding the landed costs document.
<i>Exp. Allocation</i>	Expenses allocation. Specify whether to allocate landed costs on the current row. If no costs are allocated to a certain item, the item's cost is calculated as its base document price plus customs. Landed costs that are not allocated on a row are distributed among the remaining items.
<i>Inventory Valuation</i>	Specify whether to calculate the item's price in inventory valuation reports according to its price in the landed costs document.

Landed Costs – Costs Tab

Use this tab to allocate landed costs to the various items according to specific criteria, for example volume, weight, or quantity.



NOTE

To ensure that landed costs are allocated correctly when you choose to allocate by weight or volume, each item master data record of imported items should contain the item's volume, weight and customs group.

However, you do not have to specify an amount for each landed costs type. Enter only the amounts relevant to the specific shipment you are handling at the time.

The tab consists of two sub tabs: *Fixed Costs* and *Variable Costs*. If your company manages a perpetual inventory system, the *Variable Costs* sub tab is disabled.

To access the tab, choose *Purchasing – A/P → Landed Costs → Costs*.

Field	Description
<i>Landed Costs</i>	Landed costs name, as defined in the <i>Landed Costs – Setup</i> window.
<i>Allocation By</i>	Allocation method defined in the <i>Landed Costs – Setup</i> window for each landed cost.
<i>Amount</i>	Amount of expenditures to be distributed on lines. When the landed costs document is based on another landed

	costs document, this field represents the final invoice amount. That is, the difference amount between the base and the final amount is calculated and posted.
<i>Factor</i>	Percentage rate of each landed cost out of the total FOB costs of the shipment. This factor can help you determine the shipment efficiency in comparison to other shipments or certain standards.

Landed Costs – Vendors Tab

This tab displays all the vendors selected for the current landed costs document.


To access the tab, choose *Purchasing – A/P → Landed Costs → Vendors*.

Field	Description
<i>Vendor Code</i>	Codes of the vendors related to the landed costs document. To delete vendors from the document, select a row. From the menu bar, choose <i>Data → Delete Row</i> .
<i>Name</i>	Names of the vendors related to the landed costs document. To delete vendors from the document, select a row. From the menu bar, choose <i>Data → Delete Row</i> .

Landed Costs – Details Tab

Use this tab to find further information about the landed costs rows.

To access the tab, choose *Purchasing – A/P → Landed Costs → Details*.

Field	Description
<i>Whse Price</i>	Warehouse price calculated for a single imported item after landed costs are allocated. This price is then updated in the selected price list according to the currency selected in the landed costs document.
<i>Price List</i>	Specify the price list you want to update with the item price and landed costs.  NOTE The selected price list is updated according to the currency selected in the document. For example, if the landed costs document is displayed in your local currency, the item prices are updated accordingly in the selected price list, and not by a foreign currency, if one is defined for the vendor.
<i>Expenditure</i>	Define whether expenditures should be automatically distributed to the line. If you select <i>No</i> for one particular line, then this line is ignored and all expenditures are distributed to the other lines.
<i>Bill of Lading No.</i>	Specify the number of the bill of lading attached to the landed costs document.
<i>Transport Type</i>	Specify the shipping type.

Landed Costs – General Tab

This tab is available only in companies that manage stock in warehouses using perpetual inventory.

To access the tab, choose *Purchasing – A/P → Landed Costs → General*.

Field	Description
<i>Trans. No.</i>	Number of the journal entry created for the landed costs.
<i>Journal Remarks</i>	Enter remarks for the journal entry. By default, SAP Business One displays <code>Landed Costs – xxx</code> where <code>xxx</code> is the document number. You can change this string, if required.

Copyrights & Trademarks

© Copyright 2008 SAP AG. All rights reserved.

The current version of the copyrights and trademarks at <http://channel.sap.com/sbocustomer/documentation> is valid for this document.