



TRANSPORTATION ACCOUNTING 1.0

Transportation plays an integral part in generating financial information that becomes part of the 'Cost of Goods Sold' section of your company's Financial Statements. To be in compliance with Sarbanes Oxley legislation, companies are required to represent that their financial information fairly depicts the company's financial position. This includes the basic practice of recording transportation expense in the period when the expense incurred.

Where the cost center and general ledger numbers appear on the freight invoice or bill of lading the charges can be distributed based on the weight of various SKUs or products on the same invoice. If it cannot be found on the bill it can be derived based on other data elements that are found on the bill such as origin, mode, type of shipment (warehouse transfer vs. direct to customer). Once this rules based table driven process is completed and all cost centers and general ledger codes for invoices received have been assigned, the information is then fed electronically to your ERP system to record the expense incurred based on the company's monthly financial calendar.

Strictly speaking it does not matter whether the invoice has been received or not. Once you have tendered a shipment you incur an obligation to pay for the associated freight charges that should be recorded as an expense. To achieve this objective, many companies will create a file when a load is tendered. Sometimes referred to as a bill of lading file or a shipment authorization file, it is matched electronically to freight bills as they are received. Those records in the file that go unmatched at the end of the period have to be accrued or accounted for. They are rated to determine the anticipated cost of the freight charges for shipments tendered but not yet billed. This is typically done by division, cost center and general ledger.

There are other conditions that need to be accrued. These include freight bills in process but are not paid yet. Companies also have to account for bills that are aging to terms; that is, invoices where the shipment has occurred but payment is not yet due based on the negotiated terms with your carriers.

Many companies seek to determine the total landed cost for a product. This helps them to determine if they are sourcing their materials effectively and brings into focus the total transportation expense incurred. This can be done by capturing a unique identifier for a given product such as a sales order number and associated transportation expense. The freight cost for each mode and leg are proportionately aggregated by product (sales order number) to determine the landed cost.

Data management is critical to accurate transportation expense reporting. Strong analytics start with clean, normalized (harmonized) data. However gathering data from multiple sources presents a significant challenge since carriers may refer to the same service, accessorial or other shipment attributes in different ways. You need processes in place to properly identify addresses/locations, service levels, currencies, modes, and other shipment elements to account for transportation expense.

At Data2Logistics we want to share our 50 years of experience and best practices for all aspects of your transportation operations. If you are challenged in meeting financial cutoffs, assignment of cost center or general ledger information, or want to improve the accuracy of your accruals and landed cost data, we are here to help. Please contact Harold B. Friedman via e-mail at Harold.Friedman@data2Logistics.com or +1-609 577 3756.