

Understanding Freight Terms

Freight terms are a key element of procurement and it is important to understand their meaning. In addition to indicating whether freight is permitted, the freight terms determine when ownership of item(s) transfers to the customer and who is responsible in the event of damage claims. The two most common freight terms are:

FOB Destination – Prepay and **Allow**: Used when there is no additional freight charges; also interpreted as “free” shipping

FOB Destination – Prepay and **Add**: Used when there is an additional freight charge added for cost of shipping goods

The University is exempt from freight charges for many of its contract-related goods.

How Freight Charges Are Managed In Relation to a Shopping Cart/Purchase Order

Important note for hospital entities: Freight for purchases within the hospital are handled and managed by a third-party provider. The below information may not apply to hospital purchases. Contact [Hospital Purchasing](#) if needed for questions.

When entering a Shopping Cart and there is an applicable freight charge on a supplier quote, simply indicate via text note at the top of the document. Freight charges are not entered as a line item identical to goods or services. As such, a potentially applicable shipping charge is not encumbered on the Shopping Cart or Purchase Order.

If the order permits a freight charge, the Purchasing buyer will code the PO accordingly. The actual freight charges will be applied at the point of invoice posting as Unplanned Delivery Costs. This can be accessed using SAP T-code ME23N (Display Purchase Order). Navigate to the bottom Item Details section and select the Purchase Order history tab. Drill into the Invoice Receipt (IR) and navigate to the invoice document.

Understanding Freight Terms

S...	MYT	Material Do...	Item	Posting Date	Σ	Quantity	OUn	Σ
GR	10	5501299808	1	01/04/2017		1	EA	
Tr./Ev. Goods receipt							1	EA
IR-L		5107097509	1	02/02/2017		1	EA	
Tr./Ev. Invoice receipt							1	EA

Select the Details tab to see the Unplanned Delivery Costs (Shipping Charges).

Display Invoice Document 5107097509 2017			
Show PO structure	Follow-On Documents ...		
Transaction	1 Invoice	5107097509	2017
Basic Data Payment Details Tax Withholding tax			
Unpl. Del. Csts	81.16		
Currency	USD	Exch. Rate	1.00000
Doc. Type	Y6 EDI Invoice - gross	Inv. Party	186843
		Bus. Area	

Notes:

When reviewing a quote, freight correlates specifically to words such as “shipping”, “delivery charges”, etc. Items termed “installation”, crating charge, etc. are not considered true freight and are treated as a standard line item to be entered with a fixed cost.

Although there are exceptions, most goods purchased against University contracts are identified with the term FOB Destination – Prepay and Allow; the department is not subject to additional freight charges.

Regardless of a contract’s freight terms, departments generally have to pay for any type of expedited (overnight, 2-day) shipping requested.