



WHITE PAPER

The True Cost of an Import: Landed-Cost Accounting in ERPNext

Freight, customs duty, insurance and CHA charges never appear on the supplier invoice — but they are part of what your inventory really cost. Here's how ERPNext puts them there.

For finance & procurement leaders · 8 min read

EXECUTIVE SUMMARY

For any business that imports, the price on the supplier invoice is not what the goods cost. By the time a consignment clears customs and reaches your warehouse, it has picked up freight, insurance, customs duty and a clearing agent's charges — often a material share of the total. If those costs never make it onto the item's valuation, your inventory is understated, your gross margin is overstated, and your pricing is built on a number that was never true. This paper explains landed-cost accounting and how ERPNext's Landed Cost Voucher solves it: how it lets you add those charges after goods are received, distribute them fairly across the items in a consignment, and re-value stock so that cost of goods sold reflects reality. It also covers the India-specific angle — customs duty, HSN/tariff classification, and why creditable IGST is deliberately kept out of the landed cost.

Why the invoice price isn't the real cost

When you buy from a domestic supplier, the invoice is usually the whole story. When you import, it's the beginning of one. A container of goods accrues cost at every step of its journey — and none of that cost is on the supplier's invoice, because the supplier didn't incur it. You did.

Book the goods at invoice value alone and every downstream number inherits the error: stock is carried too cheaply, margins look healthier than they are, and any costing or reorder decision made off that valuation is quietly wrong. The extra costs are real cash you paid; the only question is whether your accounts admit it.

- Freight — ocean or air freight to move the consignment to India, sometimes a large fraction of goods value on low-value, high-volume shipments.
- Customs duty — Basic Customs Duty and applicable surcharges assessed at clearance; a genuine, non-recoverable cost of the goods.
- Insurance — marine or transit cover protecting the consignment in transit.
- CHA & clearing charges — the customs house agent's fees, port and handling charges, documentation and demurrage.

What builds up the true landed cost

1

Supplier invoice

the price of the goods themselves, and the only figure most systems capture.

2

Freight

moving the consignment to India by sea or air.

3

Customs duty

Basic Customs Duty and surcharges assessed at clearance; a real, non-recoverable cost.

4

Insurance & handling

transit cover plus CHA, port, documentation and handling charges.

5

= True landed cost

the sum ERPNext capitalises into item valuation, so stock is costed at what it really cost.

What landed cost actually means

Landed cost is the total cost of a product once it has arrived at your door, ready to sell or use — the purchase price plus every cost incurred getting it there. It is the honest cost basis for inventory.

The accounting principle behind it is simple: costs that are necessary to bring inventory to its present location and condition belong in the value of that inventory, not in a general expense account. Dump freight and duty into 'freight expense' and 'duty expense' and two things break — your stock is undervalued on the balance sheet, and your cost of goods sold is understated when you sell, because the item carries only its invoice price. Capitalising those costs into the item's valuation fixes both. The challenge is purely practical: the charges usually arrive *after* the goods, on separate invoices, days or weeks later.

How ERPNext's Landed Cost Voucher works

ERPNext solves the timing problem with a dedicated document, the Landed Cost Voucher (LCV). It exists precisely because charges land after receipts do — so it applies them retrospectively and re-values the stock that has already been booked in.

The flow follows the real sequence of an import. You receive the goods first, then account for the costs as their invoices arrive:

- Reference the receipt — link one or more submitted Purchase Receipts (or a Purchase Invoice with 'Update Stock' enabled, a Stock Entry, or a Subcontracting Receipt), then pull in their items with one click.
- Add the charges — in the applicable-charges table, enter each cost (freight, customs duty, insurance, CHA) with a description, amount and, under perpetual inventory, an expense account.
- Choose the distribution basis — 'Qty' spreads charges by quantity, 'Amount' spreads them in proportion to item value, or 'Distribute Manually' lets you set each item's share yourself.
- Submit — ERPNext writes each item's share into its valuation and re-posts the stock ledger, so the goods now carry their true landed cost.

How the charges are distributed — and what changes

The distribution is a straightforward proportional allocation. For a Qty or Amount basis, each item's share is its own quantity (or value) as a fraction of the consignment total, multiplied by the total charges — so an item that is half the shipment's value absorbs half of an amount-based charge. Any rounding

difference is trued up on the last line so the allocated total exactly equals the charges entered.

The choice of basis matters and should reflect the nature of the cost. Freight and insurance often track weight or volume, for which quantity can be the fairer proxy; duty is typically assessed on value, so an amount basis usually mirrors reality better. When neither is a clean fit — different HSN codes attracting very different duty rates in one consignment — manual distribution lets you apply the actual figures line by line.

On submission the effect is concrete. Each receipt item's valuation rate is recalculated to include its applicable charges, and the stock ledger is updated. Under perpetual inventory, ERPNext posts the accounting entries too — capitalising the charges into stock rather than leaving them as standalone expenses. From that point on, when the item is sold or consumed, cost of goods sold draws on the corrected valuation, so margin is measured against what the goods genuinely cost.

The impact on margins and COGS accuracy

The reason this is a finance concern, not a warehouse formality, is margin integrity. If landed costs are expensed instead of capitalised, gross margin is flattered in every period the goods sit in stock and punished in the period the charges hit — a timing mismatch that makes product-level profitability unreadable.

With landed cost applied, valuation reflects true cost, so COGS is right when the sale happens and margin is measured cleanly. That has knock-on value: pricing decisions rest on real cost, low-margin imports that looked profitable on invoice price are exposed, and slow-moving stock is valued honestly on the balance sheet. For an importer, the difference between invoice cost and landed cost is often the difference between a product that makes money and one that doesn't — and you can only manage what your system is willing to measure.

India specifics, good practice, and getting help

For Indian importers, two details matter. First, classify items with the correct HSN / customs tariff number — ERPNext carries a Customs Tariff Number master you can link to items, which keeps duty logic and documentation consistent. Second, be deliberate about which taxes belong in landed cost. Basic Customs Duty and surcharges are real, non-recoverable costs of the goods and should be capitalised through the Landed Cost Voucher. IGST charged on imports, however, is generally creditable as input tax — recovered against your output liability — so it is **not** a cost of the goods and should not inflate their valuation. In an ERPNext stack, import IGST and its input tax credit are handled through the India Compliance app's tax accounting, keeping the LCV focused on genuine landed cost.

A few practices keep the numbers trustworthy: raise the voucher against the right receipt while the consignment is still identifiable; match each charge to its actual invoice rather than estimating; pick a distribution basis that fits the cost; and apply landed cost before too much of the stock is sold, so valuation is corrected while it still matters. Set up well, this becomes routine rather than a month-end scramble.

Acube Innovations is an official ERPNext Partner in India. If your imported-stock costing lives in spreadsheets today, we can configure the Landed Cost Voucher flow, tariff masters and India Compliance tax handling so your inventory is valued at what it truly cost — talk to a real ERPNext specialist, no obligation.

KEY TAKEAWAYS

- 1 The supplier invoice is only part of an import's cost — freight, customs duty, insurance and CHA charges are the rest.
- 2 Landed-cost accounting capitalises those charges into inventory valuation instead of expensing them, so stock and COGS are accurate.
- 3 ERPNext's Landed Cost Voucher applies charges after receipt and distributes them across items by Qty, Amount, or manually.
- 4 On submission it re-values the stock ledger, so cost of goods sold — and gross margin — reflect the true landed cost when goods are sold.
- 5 In India, capitalise non-recoverable customs duty via the LCV, but keep creditable import IGST out of it — handle that through India Compliance.

FAQ

What is a Landed Cost Voucher in ERPNext?

It's a stock document that lets you add costs like freight, customs duty, insurance and clearing charges after goods have been received, then distribute them across the items in the consignment and update each item's valuation — so inventory is carried at its true landed cost rather than the supplier invoice price.

How does ERPNext distribute landed cost across items?

You choose a basis: 'Qty' spreads charges by quantity, 'Amount' spreads them in proportion to each item's value, or 'Distribute Manually' lets you enter each item's share directly. ERPNext allocates proportionally against your chosen basis and trues up any rounding difference so the allocated total matches the charges entered.

Should import IGST be added to landed cost in ERPNext?

No. Import IGST is generally creditable as input tax and recovered against your output GST, so it is not a cost of the goods and shouldn't inflate their valuation. Capitalise non-recoverable costs like Basic Customs Duty through the Landed Cost Voucher, and handle import IGST and its input tax credit via the India Compliance app.

Can I apply landed cost after some of the stock has already been sold?

You can raise the voucher after receipt, but it's best to apply it while the consignment is still largely in stock. Re-valuation corrects the item's valuation going forward; the more of the stock still on hand when you post it, the more accurately your cost of goods sold and margins reflect the true landed cost.

Talk to a real ERPNext expert.

Call or WhatsApp +91 62358 66111 · info@acube.co · acubeinnovations.com