

FREIGHT TERMS

FOB shipping point (sometimes called FOB origin)

Terms indicating that the buyer must pay to get the goods delivered. (The buyer will record freight-in and the seller will not have any delivery expense.) With terms of FOB shipping point the title to the goods usually passes to the buyer at the shipping point. This means that goods in transit should be reported as a purchase and as inventory by the buyer. The seller should report a sale and an increase in accounts receivable.

FOB destination

Terms indicating that the seller will incur the delivery expense to get the goods to the destination. With terms of FOB destination the title to the goods usually passes from the buyer to the seller at the destination. This means that goods in transit should be reported as inventory by the seller, since technically the sale does not occur until the goods reach the destination.

Why is this important?

We want to know when Horry County Government owns the item being shipped. If an item is being shipped FOB shipping point, Horry County owns the item from the shipping point and is responsible for it, if it is damaged during transportation.

We prefer for items to be shipped FOB destination- this means ownership transfers to Horry County as the buyer once the item arrives to us. This way if the item is received damaged it is the seller's responsibility to repair/replace.