Item Proxies and Accounts

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For those who are <u>not syncing</u> inventory with their accounting software, the accounts used in the <u>proxies</u> become very important.

A proxy is a non-inventory item used to record transactions in QuickBooks or Xero. There is no limit to the number of proxies, you can create. In fact, as you will see shortly, it is recommended to create different proxy for each Item Group to reflect the income and COGs accounts used in their related inventory items.

- When an invoice is recorded, the proxy's income accounts is used to reflect the sale.
- When a bill is recorded, the proxy's expense account is used. If you elect to post journal entries, there will be a corresponding entry to inventory which offsets the expense entries.

Knowing this, here are the best practices in setting your accounts for proxies:

- **The Proxy's Income account should be the same as their related inventory Item's Income account.**
- **The Proxy's Expense account should be the same as their related inventory item's COGs account.**

Typical Accounting Entries for a Bill when not syncing inventory and posting journal entries.

Entry 1 : Bill or Item Receipt

	Debit	Credit
Expense [of the proxy]	50	
A/P		50

Entry 2 : Journal Entry

	Debit	Credit
Inventory [of the item]	50	
COGS [of the item]		50

Typical Accounting Entries for an Invoice when not syncing inventory and posting journal entries.

Entry 1 : Invoice

	Debit	Credit

A/R	100	
Sales [of the proxy]		100

Entry 2 : Journal Entry

	Debit	Credit
COGS [of the item]	50	
Inventory [of the item]		50

Click on this link to find more information on Creating Proxies.