

Exercise 8-9

July 15, 2021 – Nixon purchased 1,000 tires for \$50 each

Terms of the sale, 2/10, n/30

Nixon uses a **perpetual inventory system; gross method** of accounting for purchase discounts

Part 1: Prepare journal entries to record the purchase on July 15 and payment on July 23, 2021

7/15	Inventory (1,000 x \$50)	50,000	
	Accounts payable		50,000
7/23	Accounts payable	50,000	
	Cash (98% x 50,000)		49,000
	Inventory (2% x \$50,000)		1,000

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Part 2: Prepare journal entries to record the payment on August 15, 2021

8/15	Accounts payable	50,000	
	Cash		50,000

Part 3: If Nixon uses a periodic inventory system, explain any changes to the preceding journal entries

The July 15 entry to record the purchase would be debited to a Purchases account rather than to Inventory

The July 23 entry where the purchase discount was taken would be credited to Purchase Discounts rather than to Inventory