

Solution:

Since the payment was done 9 days after purchase, Costco is eligible for a 2% cash discount on early payment. Thus, using the gross method for revenue, we can produce the following effects on balance sheet equation:

Transaction	Effect on Balance Sheet Equation		
	Assets =	Liabilities +	Stockholders' Equity
January 10 purchase	+\$600,000 (accounts receivable)		+\$600,000 (sales)
January 19 payment	-\$600,000 (accounts receivable) +\$588,000 (cash)		-\$12,000 (cash discount on sales)

Using the above, we can easily prepare the journal entries for the transaction as follows:

Date	Particulars	Debit ¹	Credit ¹
January 10	Accounts Receivable To Sales (Being sale of software)	600	600
January 19	Cash Cash Discount on Sales To Accounts Receivable (Being cash received for early payment.)	588 12	600

¹In thousands of \$