

## ACS Barker

- 1 Naomi's financial year ends on 30 September. The following information was provided.

|                            | 2021          | 2022          | 2023          |
|----------------------------|---------------|---------------|---------------|
|                            | \$            | \$            | \$            |
| <u>Current Assets</u>      |               |               |               |
| Inventory                  | 8 000         | 15 000        | 35 000        |
| Trade receivables          | 5 000         | 7 000         | 12 000        |
| Cash at bank               | 4 000         | 600           |               |
| Total current assets       | <u>17 000</u> | <u>22 600</u> | <u>47 000</u> |
| <u>Current Liabilities</u> |               |               |               |
| Short-term borrowings      |               |               | 10 000        |
| Trade payables             | 3 000         | 7 500         | 9 000         |
| Total current liabilities  | <u>3 000</u>  | <u>7 500</u>  | <u>19 000</u> |

**REQUIRED**

- (a) Explain what is meant by the liquidity of a business.

**[2]**


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- (b) Calculate the following ratios for the year ended 30 September 2023. Your answers should be corrected to **two** decimal places.

- (i) Working capital (current) ratio

**[2]**


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- (ii) Quick (acid test) ratio **[2]**

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The following information relates to the three years ended 30 September 2021 and 2022.

|                                   | 2021 | 2022 |
|-----------------------------------|------|------|
| 1 Working capital (current) ratio | 5.67 | 3.01 |
| 2 Quick (acid test) ratio         | 3.00 | 1.01 |

- (c) Taking into account the above information and your answers to (a)(i) and (ii),  
(i) Comment on the liquidity position of Naomi's business for the year ended 30 September 2023. [5]

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- (ii) Suggest **two** reasons to explain the liquidity position of Naomi's business for the year ended 30 September 2023. [2]

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- (d) Advise Naomi on **two** measures she may take to improve her liquidity position. **[2]**

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- (e) Explain why the quick (acid test) ratio is a more accurate measure of the liquidity than the working capital (current) ratio. **[2]**

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The business profit has remained the same over the three years ended 30 September 2021, 2022 and 2023.

**REQUIRED**

- (f) Advise Naomi why the liquidity of the business has changed even though profit has remained the same over the three years. **[2]**

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Naomi is considering comparing the profitability of her business with that of a competitor.

**REQUIRED**

- (g) Name one profitability ratio which Naomi could use. [1]

[Total: 20]

- 2 Abrahm runs a retail business with a financial year end of 31 July. The following ledger account has been prepared at 31 July 2024.

Sale of motor vehicles

| Date    |  | Debit  | Credit | Balance   |
|---------|--|--------|--------|-----------|
| 2024    |  | \$     | \$     | \$        |
| July 31 | Motor vehicles                             | 24 000 |        | 24 000 Dr |
|         | Accumulated depreciation of motor vehicles |        | 11 712 | 12 288 Dr |
|         | Other receivables: Hybrid                  |        | 10 800 | 1 488 Dr  |
|         | Income summary                             |        | 1 488  | -         |

**REQUIRED**

- (a) Interpret each of the entries in the sale of motor vehicles account.
- (i) Motor vehicles [1]
- \_\_\_\_\_
- \_\_\_\_\_
- (ii) Accumulated depreciation of motor vehicles [1]
- \_\_\_\_\_
- \_\_\_\_\_
- (iii) Other receivables: Hybrid [1]
- \_\_\_\_\_
- \_\_\_\_\_
- (iv) Income summary [1]
- \_\_\_\_\_
- \_\_\_\_\_

During the year Abraham had extended his shop premises at a cost of \$17 500, which included \$1500 for repairs to the existing shop premises. He had included the total cost in the business's statement of financial performance.

**REQUIRED**

(b) State the effect and amount of including the cost of the shop extension in the statement of financial performance on the following:

(i) Profit for the year [2]

.....  
.....  
.....

(ii) Non-current assets [2]

.....  
.....  
.....

**[Total: 8]**



(e) State **three** reasons why a cheque would be returned by the bank as dishonoured.

[3]

1

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[Total: 12]





## Paper 2 Insert

**Data for Question 1**

The following balances were extracted from the books of Tulip Ltd on 31 July 2024.

|   | \$      |
|---|---------|
| Sales revenue                                 | 402 645 |
| Sales returns                                 | 30 246  |
| Cost of goods sold                            | 209 856 |
| Rent  | 37 000  |
| Salaries                                      | 80 388  |
| Insurance                                     | 17 600  |
| Office furniture                              | 40 300  |
| Inventory                                     | 11 920  |
| Motor vehicles                                | 120 800 |
| Accumulated depreciation:                     |         |
| Office furniture                              | 4 030   |
| Motor vehicles                                | 30 200  |
| Trade receivables                             | 15 320  |
| Allowance for impairment of trade receivables | 2 300   |
| Trade payables                                | 2 543   |
| Cash at bank (overdraft)                      | 2 212   |
| 2% Bank loan                                  | 50 000  |
| Interest on bank loan                         | 500     |
| Share capital, 100 000 ordinary shares        | 50 000  |
| Retained earnings                             | 20 000  |

The following information was made available on 31 July 2024.

- 1 Insurance was paid for 15 months ending on 31 October 2024.
- 2 Salaries outstanding was \$700.
- 3 A credit customer who owed \$326 was declared bankrupt and the amount has yet to be written off.
- 4 \$2200 of trade receivables is estimated to be uncollectible.
- 5 Motor vehicles are to be depreciated at 20% on net book value per annum.
- 6 Office furniture is to be depreciated at 10% on cost per annum.
- 7 Interest on bank loan has not been fully paid for the year ended 31 July 2024.
- 8 \$30 000 of long-term borrowing was payable on 31 March 2025.
- 9 The company declared a dividend of \$0.05 per share. The dividend will be paid on 31 August 2024.











- 2 Lamech provided the following information for the financial year ended 30 June 2024:

|                    |         |
|--------------------|---------|
|                    | \$      |
| Gross profit       | 25 800  |
| Operating expenses | 6 450   |
| Average equity     | 215 000 |
| Mark-up on cost    | 25%     |

**REQUIRED**

- (a) Calculate the following for the year ended 30 June 2024.

- (i) Cost of sales [1]

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- (ii) Net sales revenue [1]

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- (iii) Gross profit margin [1]

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- (iv) Profit margin [1]

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- (v) Return on equity [1]

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- 3 Lumberstone buys and sells furniture. His accounting period ends on 30 April. The following information was extracted from the books of Lumberstone for 2023 and 2024:

|                         | Year ended    |               |
|-------------------------|---------------|---------------|
|                         | 30 April 2023 | 30 April 2024 |
| Inventory               | \$ 80 000     | \$ 100 000    |
| Cost of Sales           | 400 000       | 350 000       |
| Inventory turnover rate | 8.0 times     | ?             |

**REQUIRED**

- (a) State the formula and calculate, to one decimal place, the inventory turnover rate for the year ended 30 April 2024. [2]

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- (b) With your answer to (a), comment on the efficiency of the business in managing its inventory over the two years from 2023 to 2024. [3]

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On 1 May 2024, Lumberstone had 20 units of wine racks valued at \$1800.

During the month of May, the following purchases (paid by cheque) took place:

- |        |   |
|--------|---|
| 5 May  | Bought 20 units of wine racks for \$1500. |
| 13 May | Bought 30 units of wine racks for \$1950. |
| 25 May | Bought 10 units of wine racks for \$1400. |



- (e) At the end of the financial period 30 April 2023, the ending inventory of wine racks was \$2500 while the net realisable value was \$2200.

Complete the following table by stating the effects of the **unadjusted** inventory.

State the amount 'overstated' or 'understated' for gross profit and profit for the year. Write 'No effect' where there is no effect. [2]

|               | Gross Profit | Profit for the year |
|---------------|--------------|---------------------|
| 30 April 2023 |              |                     |
| 30 April 2024 |              |                     |

- (f) On 31 May 2024, Lumberstone's warehouse caught fire and destroyed some wine racks worth \$5200.

Prepare the journal entries to record the wine racks destroyed on 31 May 2024. [2]

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**[Total: 14]**

- 4 Buster Boy Toys is a supplier of soft toys and cushions with local designs.

The following is the allowance for impairment of trade receivables account of Buster Boy Toys for the year ended 31 December 2023.

| Allowance for impairment of trade receivables account |                                      |       |        |          |
|---|--------------------------------------|-------|--------|----------|
| Date  | Particulars                          | Debit | Credit | Balance  |
|   |                                      | \$    | \$     | \$       |
| 2023  |                                      |       |        |          |
| Jan 1   | Balance b/d                          |       |        | 9 400 Cr |
| Apr 19  | Trade receivable: Casper             | 3 300 |        | 6 100 Cr |
| Dec 31  | Impairment loss on trade receivables | 4 100 |        | 2 000 Cr |
| 2024  |                                      |       |        |          |
| Jan 1   | Balance b/d                          |       |        | 2 000 Cr |

**REQUIRED**

- (a) Explain the matching theory. [1]

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- (b) Name the source document that Buster Boy Toys would issue if a credit customer returns goods to Buster Boy Toys. [1]

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- (c) State the effect of the 19 April 2023 entry on profit. [1]

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- (d) State **one** reason for the 19 April 2023 entry. [1]

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- (e) Prepare the expenses section of the statement of financial performance for the year ended 31 December 2023. [2]

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Two existing credit customers have approached the business to negotiate for credit extension, from 30 days to 45 days. Help Buster Boy Toys decide who it should offer credit extension to.

|                                       | Best Gifts   | Novelty Hub   |
|---------------------------------------|--|---|
| Nature of business                    | <ul style="list-style-type: none"> <li>Sells gifts, cards, decorative items and toys.</li> <li>Located at a major shopping mall in Orchard.</li> </ul> | <ul style="list-style-type: none"> <li>Sells books, stationery, gifts and toys.</li> <li>Located at a major shopping mall in Woodlands.</li> </ul>      |
| Annual sales revenue made to customer | <ul style="list-style-type: none"> <li>\$45 000</li> </ul>   | <ul style="list-style-type: none"> <li>\$23 000</li> </ul>  |
| Repayment history over the past year  | <ul style="list-style-type: none"> <li>Within 40 days</li> </ul>   | <ul style="list-style-type: none"> <li>Within 35 days</li> </ul>  |
| Reputation of business                | <ul style="list-style-type: none"> <li>Popular with working adults.</li> <li>Has been in business for 15 years.</li> </ul>                             | <ul style="list-style-type: none"> <li>Popular with students.</li> <li>Has been in business for 6 years.</li> </ul>                                     |
| Industry outlook                      | <ul style="list-style-type: none"> <li>Facing stiff competition from online retailers.</li> <li>No plans to have an online presence.</li> </ul>        | <ul style="list-style-type: none"> <li>Facing stiff competition from online retailers.</li> <li>Online store will be operational next month.</li> </ul> |
| Rent expenses                         | <ul style="list-style-type: none"> <li>\$20 000 per month</li> <li>The rent rate has been consistent for the past 5 years.</li> </ul>                  | <ul style="list-style-type: none"> <li>\$14 000 per month</li> <li>The rent rate has been increasing over the past 5 years.</li> </ul>                  |

### REQUIRED



ANSWERS

- 1 (a) Liquidity is the ability of the business to repay its current liabilities out of current assets when they fall due. [1]

Liquidity measures how able a business is to convert current assets into cash to pay for current liabilities. [1]

(b) (i) Current Ratio =  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$   
 =  $\frac{\$47\,000}{\$19\,000}$   
 = 2.47

(b) (ii) Acid-Test ratio =  $\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$  [2]  
 =  $\frac{\$(47\,000 - 35\,000)}{\$19\,000}$   
 = 0.63

[2]

- (c)(i) Although the working capital ratio deteriorated from 5.67 in 2021 to 3.01 in 2022 and to 2.47 in 2023 it is still above the benchmark of 2.

Naomi's business is still more than able to meet its current liabilities with its current assets.

Her business is making better use of its resources, it has less idle resources in 2023.

The quick ratio has deteriorated over the three years from 3 in 2021 to 1.01 in 2022 which is the benchmark for quick ratio and then fell below the ideal ratio in 2023 when it decreased to 0.63. This is because the amount of inventory as a proportion of current assets has increased over the years. Inventory holdings have increased from \$8000 in 2021 to \$15 000 in 2022 to \$35 000 in 2023. Increasing inventory may mean funds are tied up in inventory.

The trade receivables position has worsened as trade receivables have increased each year from \$5000 in 2021 to \$7000 in 2022 to \$12 000 in 2023.

Increasing trade receivables runs the risk of a possible loss on impairment of trade receivables.

Increasing trade receivables may mean that funds are less readily available.

The bank balance has deteriorated each year from \$4000 in 2021 to \$600 in 2022 to an overdraft of \$10 000 in 2023.

The trade payables position has worsened as it has increased each year from \$3000 in 2021 to \$7500 in 2022 to \$9000 in 2023.

An increase in trade payable may affect the ability to obtain credit.

An increase in trade payables may affect the relationship with suppliers if unable to pay invoices on time.

Cash may have been used over the three years to purchase or place a deposit on non-current assets.

Naomi would have difficulties servicing her short-term debts when payments are due and payment for daily operating expenses may also be compromised.

**Max of 5**

- (c)(ii) A substantial amount of Naomi's funds was tied up in inventory (less liquid asset) which amounted to \$35 000, which is 75% of total current asset  $[(35\ 000 / 47\ 000) \times 100]$ . [1]

Naomi has no cash in the bank account, where cash is the most liquid asset. [1]  
An increase in Trade payable of 67% from 2021 [1].

**Max of 2**

- (d) Contribute more capital to the company.  
Sell off surplus non-current assets for cash.  
Take additional bank loan

**Any 2**

- (e) Quick ratio is a better indicator as it does not include inventory and prepayments [1] in the calculation but uses only liquid assets which can be easily converted into cash.[1]

Inventory is not regarded as a liquid asset as a buyer has to be found and time taken for money to be collected. [1]

Quick ratio is a better indicator as it shows whether the business will have any surplus liquid funds if all the current liabilities were paid immediately from the liquid assets. [1]

**Max of 2**

- (f) Naomi might have increased her cash drawings over the period.  
This will reduce cash but not profit.

The business might have spent cash to purchase non-current assets.  
This will decrease liquidity but have no impact on profit.

The business might have high sales revenue but make most of its sales on credit.  
This may mean a high profit but low levels of cash.

There are non-cash items in the statement of financial performance (eg depreciation, payables and accounting adjustments which can affect profit but have no effect on cash) and income/expenses are accounted for following the matching concept.

This means that income/expenses are not the same as cash paid out.

Interest on the long-term borrowings might have remained the same.

Profit will therefore not be affected, but portions of the loan are becoming payable within 12 months which increases current liabilities and reduces the current ratio.

- (g) Gross profit margin  
Mark-up on cost  
Profit margin  
Return on equity



- 2 (a)** Interpret **each** of the entries in the sale of motor vehicles account.
- (i) Motor vehicles  
The cost of buying the motor vehicles sold. [1]
  - (ii) Accumulated depreciation of motor vehicles  
The total depreciation to date on the motor vehicles sold. [1]
  - (iii) Other receivables: Hybrid  
Disposal proceeds of the motor vehicles sold on credit to Hybrid. [1]
  - (iv) Income summary  
Loss made on sale of motor vehicles. [1]
- (b)** State the effect and amount of including the cost of the shop extension in the statement of financial performance on the following:
- (i) Profit for the year  
Profit for the year has been understated by \$16 000. [2]
  - (ii) Non-current assets  
The value of non-current assets has been understated by \$16 000. [2]
- [Total: 8]

- 3 (a)** State one reason why Emmie offered Mattie a trade discount on July 5.  
To encourage Mattie to bulk buy.  
For Emmie to clear out excess / outdated inventory.  
To reward Mattie for continuing to purchase from Emmie [Any 1]

- (b)** Calculate the amount of trade discount at July 5.  
 $\$6280 \times 15\% = \$942$  [1]

- (c)** Calculate the amount of cash discount at July 28.  
 $\$(2425/97\% \times 3\%) = \$75$  [1]

**(d)**

|        |                  | Mattie |       |          |
|--------|------------------|--------|-------|----------|
|        |                  | Dr     | Cr    | Bal      |
| 2024   |                  | \$     | \$    | \$       |
| July 1 | Balance b/d      |        |       | 1 567 Dr |
| 5      | Sales revenue    | 5 338  | [1]   | 6 905 Dr |
| 14     | Sales returns    | [1]    | 1 950 | 4 955 Dr |
| 28     | Cash at bank     | [1]    | 2 425 | 2 530 Dr |
| 28     | Discount allowed | [1]    | 75    | 2 455 Dr |
| Aug 1  | Balance b/d      | [1]    | [1]   | 2 455 Dr |

[6]

- (e)** State **three** reasons why a cheque would be returned by the bank as dishonoured.  
Cheque is over 6 months old / cheque is post-dated / cheque is unsigned / information on cheque is incomplete / information on cheque is inconsistent / insufficient funds to pay the cheque. [any 3]



## Answers

1 (a)

Tulip Ltd  
Statement of financial performance for the year ended 31 July 2024

|  | \$     | \$      |
|--|--------|---------|
| Sales revenue  | [1]    | 402 645 |
| less Sales returns   | [1]    | 30 246  |
| Net sales returns  |        | 372 399 |
| less Cost of sales   | [1]    | 209 856 |
| Gross profit   |        | 162 543 |
| less Other Expenses  |        |         |
| Rent   | 37 000 |         |
| Salaries (80 388 + 700)                                    | 81 088 | [1]     |
| Interest on bank loan (2% x 50 000)                        | 1 000  | [1]     |
| Insurance (17 600 /15 x12)                                 | 14 080 | [1]     |
| Depreciation of office furniture (40 300 x 10%)            | 4 030  | [1]     |
| Depreciation of motor vehicle [(120 800 – 30 200) x 20%]   | 18 120 | [1]     |
| Impairment loss on trade receivables [2200 – (2300 – 326)] | 226    | [1]     |
|  |        | 155 544 |
| Profit for the year  | OF [1] | 6 999   |

Tulip Ltd  
Statement of financial position as at 31 July 2024

|  | \$      | \$      | \$      |
|--|---------|---------|---------|
| <b>Assets</b>                            |         |         |         |
| <b>Non-current assets</b>                | Cost    | Acc Dep | NBV     |
| Motor vehicles (AD + 18 120) [1]         | 120 800 | 48 320  | 72 480  |
| Office furniture (AD + 4030) [1]         | 40 300  | 8 060   | 32 240  |
| Total Non-Current Assets                 | 161 100 | 56 380  | 104 720 |
| <b>Current assets</b>                    |         |         |         |
| Inventory                                |         | 11 920  |         |
| Trade receivables (– 326)                | 14 994  | [1]     |         |
| less Allowance for impairment of TR      | 2 200   |         |         |
| Net trade receivables                    |         | 12 794  | [1]     |
| Prepaid insurance                        |         | 3 520   | [1]     |
| Total current assets                     |         |         | 28 234  |
| Total assets                             |         |         | 132 954 |
| <b>Equity and Liabilities</b>            |         |         |         |
| <b>Shareholders' equity</b>              |         |         |         |
| Share capital, 100 000 ordinary shares   |         | 50 000  |         |
| Retained earnings (20 000 + 6999 – 5000) |         | 21 999  | [1]     |
| Total equity                             |         |         | 71 999  |
| <b>Non-current liabilities</b>           |         |         |         |
| Long-term borrowings (– 30 000)          |         | [1]     | 20 000  |

|   |  |        |                |
|---|--|--------|----------------|
| <b>Current liabilities</b>              |  |        |                |
| Trade payable                           |  | 2 543  |                |
| Current portion of long-term borrowings |  | 30 000 |                |
| Salaries payable                        |  | 700    | [1]            |
| Dividends payable (100 000 x 0.05)      |  | 5 000  | [1]            |
| Short-term borrowings                   |  | 2 212  |                |
| Interest payable (1000 – 500)           |  | 500    | [1]            |
| <b>Total Current liabilities</b>        |  |        | <b>40 955</b>  |
| <b>Total equity and liabilities</b>     |  |        | <b>132 954</b> |

2(a)(i) Cost of sales =  $\$25\,800/0.25 = \$103\,200$  [1]

2(a)(ii) Net sales revenue =  $\$(103\,200 + 25\,800) = \$129\,000$  [1]

2(a)(iii) Gross profit margin =  $\$(25\,800/129\,000) \times 100\% = 20\%$  [1]

(a)(iv) Profit margin =  $20\% - 5\% = 15\%$  [1]

(a)(v) Return on equity =  $\$[(25\,800 - 6450)/215\,000] \times 100\% = 9\%$  [1]

2(b) Lamech's gross profit margin of 20% is worse than Japheth's gross profit margin of 22%.  
 This may be due to a more expensive supply of goods for Lamech.  
 Lamech has a better profit margin of 15% than Japheth's profit margin of 12%.  
 This suggests that Lamech is more efficient in the management of expenses to generate sales.  
 Lamech's better return on equity of 9% suggests that Lamech is better at generating profits for his investors.  
 [2 marks each – Comparison followed by explanation]

2(c) Encourage sales through advertising.  
 Offer trade discounts to encourage bulk purchases.  
 Source for a cheaper supply of goods.  
 Increase the selling price for its products.  
 [Any two]

2(d) Review its credit policy for customers.  
 Look for a cheaper source of finance.  
 Reduce utilities, advertising, rent, or wages expenses to cut costs.  
 [Any two]

- 3(a) Inventory turnover rate for the year ended 30 April 2024  
 = Cost of sales / Average inventory [1]  
 = \$350 000 / [\$(80 000 + 100 000)/2] [1]  
 = 3.9 times
- 3(b) The inventory turnover rate has worsened over the 2 years [1] by 4.1 times from 8 times in 2023 to 3.9 times in 2024. [1]  
 This means the business is taking a longer time to replenish goods. [1] It could be because the business is holding too much inventory or the business is not selling goods fast enough.

3(c)

| Inventory |                                    |            |             |               |
|-----------|------------------------------------|------------|-------------|---------------|
| Date      | Particulars                        | Debit (\$) | Credit (\$) | Balance (\$)  |
| 2024      |                                    |            |             |               |
| May 1     | Balance b/d                        |            |             | 1 800 Dr      |
| 5         | Cash at bank                       | 1 500      |             | 3 300 Dr      |
| 13        | Cash at bank                       | 1 950      |             | 5 250 Dr      |
| 25        | Cash at bank                       | 1 400      |             | 6 650 Dr      |
| 31        | Cost of sales (1800 + 1500 + 1950) |            | 5 250 [1]   | 1 400 Dr [1]  |
| June 1    | Balance b/d [1]                    |            |             | 1 400 Dr [OF] |

- 3(d) Inventory is valued at cost or net realisable value, whichever is lower. [1]  
 Prudence concept states that a business must report and adjust for losses that it is likely to incur even when these losses are not confirmed yet. [1] However, the business does not record profits that are likely to occur. Profits are recorded only when they are actually earned. [3]

3(e)

|               | Gross Profit         | Profit for the year  |
|---------------|----------------------|----------------------|
| 30 April 2023 | No effect            | Overstated by \$300  |
| 30 April 2024 | Understated by \$300 | Understated by \$300 |

3(f)

| 2024   |                                  | Debit | Credit |
|--------|----------------------------------|-------|--------|
|        |                                  | \$    | \$     |
| May 31 | Impairment loss on inventory [1] | 5 200 |        |
|        | Inventory [1]                    |       | 5 200  |

- 4(a) Expenses incurred must be matched against income earned in the same accounting period to determine the profit for that period. [1]
- 4(b) Credit note [1]
- 4(c) No effect [1]
- 4(d) Casper has gone bankrupt and the amount owed had to be written off. [1]
- 4(e)

| Buster Boy Toys   |             |    |
|---|-------------|----|
| Statement of Financial Performance as at 31 December 2023 (extract) |             |    |
|   | \$          | \$ |
| <u>less Other Expenses</u>  |             |    |
| impairment loss on trade receivables (reversal) [1]                 | (4 100) [1] |    |

- 4 (f) Buster Boy Toys should grant the extension to Best Gifts. (1 decision)  
 Best Gifts is a bigger customer compared to Novelty Hub due to higher sales revenue made to Best Gifts. (1 basic statement)  
 It would be good for Buster Boy Toys so that Best Gifts will choose to continue buying from Buster Boy Toys instead of turning to other suppliers. (1 development)  
 Best Gifts is popular with working adults whereas Novelty Hub is popular with students. (1 basic statement)  
 Working adults have the ability to spend more than students. This could lead to higher revenue for Best Gifts which will help them to pay Buster Boy Toys promptly. (1 development)  
 Best Gifts has been in business for a longer time compared Novelty Hub. (1 basic statement)  
 Best Gifts is more stable compared to Novelty Hub and will be less likely to make late payments to Buster Boy Toys in the long run. (1 development)  
 Best Gifts has a stable rent expense compared to Novelty Hub. (1 basic statement)  
 Even though Best Gifts' rent is higher than Novelty Hub, it has been stable for the past 5 years unlike Novelty Hub' rent. Best Gifts will be able to manage their liquidity more easily and minimise late payments to Buster Boy Toys. (1 development)

**OR**

- Buster Boy Toys should grant the extension to Novelty Hub. (1 decision)  
 Novelty Hub has a shorter repayment history. (1 basic statement)  
 As they are relatively prompt with payment compared to Best Books, it would be less risky to grant them the credit extension. (1 development)  
 Novelty Hub' online store will be ready next month, whereas Best Gifts has no plans to set up one. (1 basic statement)  
 An online shop will help Novelty Hub to have a wider reach of customers which will help boost their sales. They will therefore be less likely to make late payments to Buster Boy Toys in the long run. (1 development)  
 Novelty Hub pays lower rent compared to Best Gifts. (1 basic statement)  
 With lower operational expenses, Novelty Hub is better able to pay Buster Boy Toys promptly. (1 development)