

Candidate Name:	Class:	Index No.:
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FUHUA SECONDARY SCHOOL
 Secondary 4 Express/5 Normal Academic
PRELIMINARY EXAMINATION 2024

4E5N

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PRINCIPLES OF ACCOUNTS

7087/01

Paper 1

DATE **27 August 2024**

TIME **1000 – 1100**

DURATION **1 hour**



READ THESE INSTRUCTIONS FIRST

Write your class, index number and name in the spaces at the top of this page.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

Answer **all** the questions.

The use of an approved scientific calculator is allowed.

The number of marks is given in brackets [] at the end of each question or part question.

FOR EXAMINER'S USE	PARENT'S SIGNATURE
/ 40 marks	

Setter: **Mr Tan Boon Teck**

Vetters: **Mr Sun Daojun &
Ms Diana Lim**

This document consists of 9 printed pages and 1 blank page.

Answer **all** questions.

1 The cash at bank account of Candy Ltd for the month of August 2022 is below.

Cash at bank account				
Date	Particulars	Dr (\$)	Cr (\$)	Balance (\$)
2022				
Aug 1	Balance b/d			5 980 Dr
3	Salaries (cheque 116)		1 230	4 750 Dr
7	Inventory (cheque 117)		3 120	1 630 Dr
10	Trade payable – Bonbon Sweets (cheque 118)		1 410	220 Dr
18	Trade receivable – Megan	80		300 Dr
22	Sales revenue	807		1 107 Dr
27	Trade payable – Kit Kat (cheque 121)		680	427 Dr
31	Trade receivable – BK Trading	300		727 Dr

Candy Ltd received the bank statement dated 31 August 2022 as follows:

Bank Statement				
Date	Particulars	Withdrawal	Deposit	Balance
2022		\$	\$	\$
Aug 1	Balance b/d			5 130 Cr
2	Cheque (Café Z)		1 510	6 640 Cr
3	Cheque 114	660		5 980 Cr
5	Cheque 116	1 230		4 750 Cr
5	Credit transfer – Mr Lim		950	5 700 Cr
9	Cheque 117	3 120		2 580 Cr
10	Standing order: rental	1 200		1 380 Cr
11	Cheque 118	1 410		30 Dr
20	Cheque (Megan)		80	50 Cr
22	Cash		807	857 Cr
24	Dishonoured cheque (Megan)	80		777 Cr
31	Interest earned		12	789 Cr

REQUIRED

- (a) Compare the opening balances on 1 August 2022 in the cash at bank account and bank statement. Assuming there are no errors, explain why the balances differ.

[2]

- (b) Update the cash at bank account for month of August 2022.

[4]

- (c) Prepare the bank reconciliation statement as at 31 August 2022.

[3]

(d) Candy Ltd's unadjusted profit for August 2022 was \$10 000. Calculate the adjusted profit for the month after the adjustments from bank reconciliation were made.

[1]

[Total:

10]

2 The following balances were taken from Jolly Bookshop.

	30 June 2020	30 June 2021
	\$	\$
Machinery (net book value)	31 000	45 000
Inventory	6 500	17 800
Trade receivables	11 000	11 400
Trade payables	11 700	18 680
Cash in hand	5 450	2 560
Cash at bank	9 800	(3 400)
Prepaid advertising expenses	-	1 700
General expenses payable	730	980
Rental income received in advance	900	1 020

REQUIRED

(a) Calculate the following ratios as at 30 June 2021.

(i) Current ratio

[2]

(ii) Quick ratio

Jolly Bookshop's current ratio and quick ratio as at 30 June 2020 were: [2]

Current ratio	2.46 : 1
Quick ratio	1.97 : 1

REQUIRED

(b) Compare and comment on the changes in liquidity position over the two years ended 30 June 2020 and 2021.

5TQ7
MATH STUDIO

[5]

(c) State **one** consequence that a business might face due to declining liquidity.

[1]

(d) Suggest **two** measures that a business can take to improve its liquidity.

[2]

[Total:12]

3 On 1 September 2022, Seasons Pte Ltd provided the following balances.

	\$
Share capital, 100 000 ordinary shares	500 000
Retained earnings	28 000

The following transactions took place during the year ended 31 August 2022:

2022

Oct 11 Dividends of \$0.02 per share were declared

2023

Jan 4 20 000 shares were issued at \$100 000

Apr 19 The dividends declared on 11 October 2022 were paid

Aug 31 Profit for the year was \$43 900

REQUIRED



(a) Describe the following features of a private limited company.

(i) Lifespan

_____ [1]

(ii) Liability

_____ [1]

(b) Prepare journal entries **without** narrations to record:

(i) Dividends declared on 11 October 2022

(ii) Payment of dividends on 19 April 2023

Journal			
Date	Particulars	Debit (\$)	Credit (\$)

[4]

(c) Prepare the retained earnings account for the year ended 31 August 2023.

[3]

(d) Prepare an extract of the statement of financial position as at 31 August 2023 showing only the **equity section**.

[2]

[Total:11]

4 On 1 January 2022 Felix Trading purchased a delivery truck and paid the following by cheque:

	\$
Cost of delivery truck	70 000
Import tax	6 500
Freight charges	1 400
Annual road tax	700
Petrol	100

REQUIRED

(a) Explain the meaning of the following terms:

(i) Capital expenditure

[1]

(ii) Revenue expenditure

[1]

(b) Calculate the cost of the delivery truck that Felix Trading purchased.

[1]

(c) Prepare journal entries **without** narrations to record the above expenditures.

Journal			
Date	Particulars	Debit (\$)	Credit (\$)

[2]

(d) At the end of the financial year, Felix Trading received an invoice of \$300 for repairs to the delivery truck.

State how the following will be affected when the motor vehicle repairs \$300 is recorded as capital expenditure. Indicate the effect and amount.

		Effect	Amount
(i)	Profit for the period		
(ii)	Non-current assets		

[2]

[Total: 7]

END OF PAPER

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**Table of specifications
4EP1**

	Topic	AO1 Knowledge & Comprehension	AO2 Application	AO3 Analysis & Synthesis	AO4 Evaluation	Total
Q1	Bank reconciliation stm	4	3	2	1	10
Q2	Ratios	4	3	3	2	12
Q3	Equities (PLC)	3	3	3	2	11
Q4	Non-current assets	2	2	2	1	7
Total		13%	11%	10%	6%	40%
SEAB recommendation		15%	10%	10%	5%	40%

4E P1 Answers**Candy Ltd**

1 (a) The difference \$850 (\$5980 - \$5130) is due to:

- (i) A deposit of \$1510 (cheque from Café Z) which the bank recorded (in bank statement) on Aug 2 had already been recorded by Candy Ltd in CAB in July.
(ii) A payment of \$660 (cheque 114) recorded by the bank on Aug 3 had already been recorded by Candy Ltd in July.

1(b) Cash at bank account (Updated)				
Date	Particulars	Dr (\$)	Cr (\$)	Balance (\$)
2022				
Aug 31	Balance b/d			727 Dr
	Trade receivable – Mr Lim	950		1 677 Dr
	Rental expense		1 200	477 Dr
	Trade receivable - Megan		80	397 Dr
	Interest income	12		409 Dr
Sep 1	Balance b/d			409 Dr

1(c) Bank reconciliation statement as at 31 August 2022	
Balance as per bank statement (Cr)	789
Add: Deposits in transit	
BK Trading	300
Less: Cheques not yet presented	
Kit Kat	(680)
Adjusted balance as per CAB	409

1(d) Statement of adjusted profit for August 2022	
Unadjusted profit	10 000
Less: rental expenses	(1200)
Add: interest income	12
Adjusted profit	8 812

Jolly Bookshop

2(a)		
Ratio	Workings	Answer
(i) current ratio	<u>Current assets</u> Current liabilities $CA = (17800 + 11400 + 2560 + 1700) = 33\,460$ $CL = (18680 + 3400 + 980 + 1020) = 24\,080$	1.39 : 1
(ii) quick ratio	<u>Current assets – Inventory-Prepayments</u> Current liabilities $(CA - 17800 - 1700) = 13\,960$	0.58 : 1

	CL	= 24 080	
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2(b)

Current ratio

Current ratio has deteriorated (worsened) from 2.46 (2020) to 1.19 (2021).

Meaning: In 2020, for every \$1 CL owed, Jolly Bookstore had available \$2.46 to pay. In 2021, for every \$1 CL, amount available has dropped to \$1.19.

Ideal ratio is 2:1.

Causes:

- CAB has decreased from \$9800 to \$3400 overdraft.
- TP has increased from \$11700 to \$18680.

Quick ratio

Similarly quick ratio has also worsened from 1.97 (2020) to 0.58 (2021).

Meaning: In 2020, for every \$1 CL owed, there was available \$1.97 quick assets to pay but this dropped to \$0.58 in 2021. This means that Jolly Bookshop is having difficulty in paying any short-term debts eg salaries, supplies that must be paid quickly.

Causes: Cash is tied up in inventory which has increased from \$6500 to \$17800.

Conclusion: Jolly Bookshop's liquidity has weakened over the 2 years 2020 to 2021.

2(c) Consequences:

- Not enough cash to pay for day to day business expenses eg suppliers, salaries, utilities. Subsequent loss of reputation as a good paymaster among suppliers, employees.
- Loss of opportunities due to shortage of cash eg to take advantage of cash discount by paying early

2(d) Measures to improve liquidity:

- Owner contributes additional cash as capital
- Arrange with bank for a long-term loan
- Sell excess NCA

Seasons Pte Ltd

3(a)(i) Lifespan: exists forever until wound up or struck off.

(ii) Liability: shareholders enjoy limited liability that is they need not pay company debts using their personal assets. Max amount a shareholder will lose is their investment.

3(b) Journal			
Date	Particulars	Dr	Cr
2022			
(i) Oct 11	Dividends	2 000	
	Dividends payable (0.02x100k)		2 000
2023			
(ii) Apr 19	Dividends payable	2 000	
	CAB		2 000

3(c) Retained earnings a/c				
Date	Particulars	Dr (\$)	Cr (\$)	Balance (\$)
2022				
Sep 1	Balance b/d			28 000 Cr
2023				
Aug 31	Dividends	2 000		26 000 Cr

	Income summary	43 900	69 900 Cr
Sep 1	Balance b/d		69 900 Cr

3(d) Seasons Pte Ltd

Statement of financial position as at 31 August 2023 (extract)

<u>Equity & Liabilities</u>	\$
<u>Shareholders' equity</u>	
Share capital, 120 000 ordinary shares	600 000
Retained earnings	<u>69 900</u>
	<u>669 900</u>

Felix Trading

4(a)(i) Capital expenditure refers to the cost to buy and bring a non-current asset to its intended use. It provides benefits that last for more than one financial period.

4(a)(i) Revenue expenditure refers to the costs to operate, repair and maintain the NCA in working condition. It provides benefits that last up to one financial period.

4(b) Calculate the cost of the delivery truck.

$$\text{Cost} = (70k + 6500 + 1400) = \$77\,900$$

4(c) Journal			
Date	Particulars	Dr	Cr
2022			
Jan 1	Motor vehicles	77 900	
	CAB		77 900
Jan 1	Road tax (m/vehicle expenses)	700	
	CAB		700
Jan 1	Petrol (m/vehicle expenses)	100	
	CAB		100

	4(d)	Effect	Amount
(i)	Profit for the period	O/stated	\$300
(ii)	Non-current assets	O/stated	\$300



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Data for Question 1

The following balances were extracted from the books of Urban Planners, an architecture firm, at 31 May 2022.

	\$
Capital (1 June 2021)	80 000
Drawings	1 900
Equipment at cost	60 000
Accumulated depreciation of equipment	24 000
Fixtures and fittings at cost	39 500
Accumulated depreciation of fixtures and fittings	6 200
Premises at cost	96 000
Architect fees	136 680
Bank loan repayable 31 December 2025	15 000
Cash at bank	18 000
Cash in hand	7 800
Discount allowed	1 040
Rent income	7 200
Trade receivables	12 000
Allowance for impairment of trade receivables	100
Utilities	3 340
Salaries	29 600

Additional information:

- 1 Rent income included an amount \$1 200 which was for 3 months from 1 April 2022 to 30 June 2022.
- 2 Salaries amounting to \$3 400 were still owing at 31 May 2022.
- 3 \$820 cash payment for utilities was wrongly credited to cash at bank account.
- 4 Urban Planners reviewed its trade receivables and decided that 3% may not be collectible.
- 5 Depreciation is to be charged on the equipment at 40% on net book value.
- 6 Fixtures and fittings have a scrap value of \$8 500 and a useful life of 10 years.
- 7 No depreciation is to be charged on premises.
- 8 One-third of the bank loan is due for repayment on 31 December 2022.

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Candidate Name:	Class:	Index No.:
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PRINCIPLES OF ACCOUNTS

7087/02

Paper 2

DATE 26 August 2024

TIME 1000 – 1200

DURATION 2 hours



READ THESE INSTRUCTIONS FIRST

Additional Material: Insert for Question 1

Write your class, index number and name in the spaces at the top of this page.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

Answer **all** the questions.

The use of an approved scientific calculator is allowed.

The number of marks is given in brackets [] at the end of each question or part question.

FOR EXAMINER'S USE	PARENT'S SIGNATURE
/ 60 marks	
Setter: Mr Tan Boon Teck	Vetters: Mr Sun Daojun & Ms Diana Lim

This document consists of 11 printed pages, 1 blank page and 1 insert.

Answer **all** questions.

1 Refer to the Insert for data for Question 1.

REQUIRED

(a) Prepare the statement of financial performance for the year ended 31 May 2022.

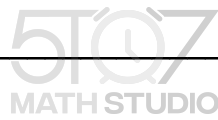
Urban Planners
Statement of financial performance for the year ended 31 May 2022

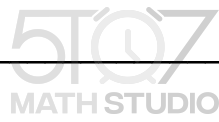




(b) Prepare the statement of financial position as at 31 May 2022.

Urban Planners
Statement of financial position as at 31 May 2022





2 On 1 October 2020, Ernest Trading which has a financial year end on 31 December, took up a bank loan of \$40 000 at 5% per annum. The loan is to be repaid equally over four years. The loan instalment and interest are to be repaid on 30 September every year starting from 30 September 2021.

REQUIRED

(a) Prepare the journal entry to record the loan on 1 October 2020. A narration is **not** required.

Journal			
Date	Particulars	Debit (\$)	Credit (\$)

[2]

(b) Calculate the interest expense and interest expense payable for the **two** years ended 31 December 2020 and 2021. Show your workings.

Year ended 31 December	Interest expense \$	Interest expense payable \$
2020		
2021		

[5]

(c) Prepare an extract of the statement of financial position as at 31 December 2021 showing only the **liabilities** section.

[3]

[Total:10]

3 Newman Agency is a recruitment company which charges a service fee to help retrenched workers seek employment. For the year ended 30 June 2021, the business collected cash amounting to \$14 400 from its clients. This amount included \$3 100 for service to be provided in July 2021.

REQUIRED

(a) Calculate the service fee revenue for the year ended 30 June 2021.

[2]

(b) Complete the following table to show how service fee revenue received in advance is adjusted for the year ended 30 June 2021.

	Name of account	\$
Debit		
Credit		

[2]

(c) State the effect on profit for the year ended 30 June 2021 if adjustment in **(b)** above is not done.

[2]

REQUIRED

[illegible]

(e) State the amount of advertising expense reported in Newman Agency's statement of financial performance for the year ended 30 June 2021.

_____ [1]

[Total:15]

4 The following trade receivable account belonged to Alex Traders.

Trade receivable – Mario				
Date	Particulars	Debit	Credit	Balance
2022		\$	\$	\$
Apr 1	Balance b/d			1 660 Dr
Sep 20	Sales revenue	7 200		8 860 Dr
Sep 27	Cash at bank		6 840	2 020 Dr
Sep 27	Discount allowed		360	1 660 Dr
2023				
Feb 28	Allowance for impairment of trade receivables		1 660	-

REQUIRED

(a) Interpret the above transactions that took place on the following dates:

(i) 1 April 2022

_____ [1]

(ii) 20 September 2022

_____ [1]

(iii) 27 September 2022

 _____ [2]

(iv) 28 February 2023

_____ [1]

(b) Name and define the type of discount given on 27 September 2022.

_____ [2]

(c) Calculate the percentage of discount given on 27 September 2022.

_____ [1]

Due to the current difficult trading conditions, two of Alex Traders' credit customers have requested for a longer repayment period from 30 days to 40 days. Alex Traders can only grant credit extension to one of them.

Details are as follows:

	Tom	Stephanie
Business background	<ul style="list-style-type: none"> - has been operating for 10 years - has a physical store - sells to local customers 	<ul style="list-style-type: none"> - has been operating for 3 years - has an online store - sells to both local and some overseas customers
Annual sales revenue	\$150 000	\$200 000
Average monthly trade receivable balance owed to Alex Traders	\$20 000	\$12 000
History of repayment within past 12 months	<ul style="list-style-type: none"> - on average has repaid within 25 days - was late twice 	<ul style="list-style-type: none"> - on average has repaid within 35 days - was late 5 times
Business reputation	- received positive reviews from regular customers regarding product quality and staff service	- popular among customers who prefer its affordable prices and wide range of products.

REQUIRED

(d) Using accounting and non-accounting information, assess which customer Alex Traders should choose for an extension. Justify your choice with **three** reasons.

A large sheet of lined paper with horizontal ruling lines. In the center, there is a faint watermark logo that reads "5107 MATH STUDIO". The logo features the numbers "5107" in a stylized font, with a clock face integrated into the zero. Below the numbers, the words "MATH STUDIO" are written in a smaller, sans-serif font.

[7]

[Total:15]

END OF PAPER

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4EP2 Table of specifications

	Topic	AO1 Knowledge & Comprehension	AO2 Application	AO3 Analysis & Synthesis	AO4 Evaluation	Total
Q1	Financial statements	4	7	6	3	20
Q2	Long-term borrowings	2	3	3	2	10
Q3	Income & Expenses	2	1	6	6	15
Q4	Trade receivables / SBQ	3	3	5	4	15
Total		11%	14%	20%	15%	60%
SEAB recommendation		10%	15%	20%	15%	60%

4EP2 Mark Scheme

1 Urban Planners (Financial Statements)

1(a) Urban Planners Statement of financial performance for year ended 31 May 2022		
Architect fees		136 680
Add: <u>Other income</u>		
Rent income (7200 – 400)		6 800
Less: <u>Other expenses</u>		
Discount allowed	1 040	
Utilities	3 340	
Salaries (29600 + 3400)	33 000	
Impairment loss on trade receivables (360 – 100) (w1)	260	
Depreciation on equipment (36k x 0.4)	14 400	
Depreciation on furniture and fittings (39500-8500)/10	3 100	(55 140)
Profit for the year		<u>88 340</u>

(w1) IL = (rate x old TR) – (old allowance)

1(b) Urban Planners Statement of financial position as at 31 May 2022			
Assets	Cost	Accumulated Depreciation	Net Book Value
Non-current assets			
Equipment (24k + 14400)	60 000	(38 400)	21 600
Fixtures and fittings (6200 + 3100)	39 500	(9 300)	30 200
Premises	96 000	-	96 000
			<u>147 800</u>
Current assets			
Trade receivables	12 000		
Less: Allowance for IL of TR (12k x 3%)	(360)	11 640	
CAB (18k + 820)		18 820	
Cash in hand (7800 - 820)		<u>6 980</u>	<u>37 440</u>
			<u>185 240</u>
Equity and Liabilities			
Owner's equity			
Capital (80k + 88340 – 1900)			166 440
Non-current liability			
Long-term borrowings (15k-5k)			10 000
Current liabilities			
Rent income received in advance (1200/3)		400	
Salaries payable		3 400	
Current portion of LTB (15k/3)		<u>5 000</u>	<u>8 800</u>
Total equity and liabilities			<u>185 240</u>

2 Ernest Trading (LTB)

2(a) Journal			
Date	Particulars	DR	CR
2020			
Oct 1	CAB	40 000	
	Bank loan		40 000

2(b)

Year ended 31 December	Interest expense \$	Interest payable \$
2020	$(40k \times 0.05 \times 3/12) = 500$	500
2021	$(40k \times 0.05 \times 9/12) = 1500$ $(30k \times 0.05 \times 3/12) = 375$ Total = 1875	375

2(c) Ernest Trading	
Statement of financial position as at 31 December 2021 (extract)	
Non-current liability	\$
Long-term borrowings (30k-10k)	20 000
Current liabilities	
Current portion of LTB (40k/4)	10 000
Interest expense payable (30k x 0.05 x 3/12)	375

3 Newman (I&E)

3(a) Service fee revenue account				
Date	Particulars	Dr (\$)	Cr (\$)	Balance (\$)
2021				
Jun 30	CAB		14 400	14 400 Cr
	Svc fee revenue RIA	3 100		11 300 Cr
	Income summary (transfer)	11 300		-

(b) Complete the following table to show how service fee revenue received in advance is adjusted for the year ended 30 June 2021. (Challenging for students who do not use ledger method)

	Name of account	\$
Debit	Service fee revenue	3 100
Credit	Service fee revenue received in advance (RIA)	3 100

(c) State the effect on profit for the year ended 30 June 2021 if adjustment in **(b)** above is not done. Overstated by \$3100.

(d) Prepare journal entries to record the transactions on 1 July 2020, 8 April 2021 and 30 June 2021 including the closing entry. Narrations **are** required.

3(d) Journal			
Date	Particulars	Dr (\$)	Cr (\$)
2020			
Jul 1	Advertising expense (↑)	2 500	
	Prepaid advertising expense (↓)		2 500
	(Reversal of advertising expense that was prepaid at start of year and will be used this year)		
2021			
Apr 8	Advertising expense	7 400	
	CAB		7 400
	(Paid advertising expense by cheque)		
Jun 30	Prepaid advertising expense (↑)	1 900	
	Advertising expense (↓)		1 900
	(Adjusting advertising expense that was prepaid but not yet incurred in current year)		
Jun 30	Income summary	8 000	
	Advertising expense (↓)		8 000
	(Transfer of advertising expense to IS)		

(e) State the amount of advertising expense reported in Newman Agency's statement of financial performance for the year ended 30 June 2021.
\$8000

4(a) Alex Traders (TR)

- (i) Mario owed Alex Traders \$1660.
- (ii) Alex Traders sold goods at \$7200 to Mario on credit.
- (iii) Alex Traders received a cheque for \$6840 from Mario and gave a discount allowed of \$360.
- (iv) Mario was unable to pay his debts and \$1660 was written off.

4(b) Cash discount. It is a reduction to invoiced price.

4(c) $[360/(6840 + 360) \times 100\%] = 5\%$

4(d)

Decision: Choose Tom	Decision: Choose Stephanie
<p>Evidence: Has been in business for 10 years.</p> <p>Explanation:</p> <ul style="list-style-type: none"> - more experienced by 7 years (no substitute for experience) - more established with old, reliable staff, strong processes, steady revenue streams, industry knowledge - more likely to continue to operate/less likely to close down - more likely to continue to pay Alex 	<p>Evidence: Although she has only been in business for only 3 years she is expanding quickly and seems to be a better businessman.</p> <p>Explanation:</p> <ul style="list-style-type: none"> -sells to both locals and foreigners (better business model) -increase in scale of operations will benefit Alex in terms of future sales and profits
<p>Evidence: Has a physical store selling to locals</p> <p>Explanation:</p> <ul style="list-style-type: none"> -easier for Alex to visit/locate Tom should there be any delay in payment -savings on shipping costs, personal interaction, visual merchandise will appeal to customers -likely for business to continue operating 	<p>Evidence: Has an online store</p> <p>Explanation: Online store has more advantages than a physical store:</p> <ul style="list-style-type: none"> - accessible 24/7 - can reach out to more customers (including overseas customers) beyond S'pore - savings on rent, in-store staff (will lead to lower prices for customers) - unlimited shelf space for products
<p>Evidence: Better payment history of 25 days on average. Late twice per annum is acceptable.</p> <p>Explanation: This is lower than agreed 30-day credit period. On other hand Stephanie's average is 35 days (exceeding by 5 days). Late 5 times.</p> <p>Cost and time saved in not chasing Tom for payment. Lower admin cost.</p> <p>Timely payments → improved cashflow for Alex who can pay his own suppliers on time</p>	<p>Evidence: Higher annual sales revenue (\$200k compared to Tom's \$150k).</p> <p>Explanation: Stephanie has overtaken Tom in terms of annual sales though she is newer. In spite of higher annual sales, her average monthly TR balance is lower (\$12k) which means that the amount she owes to Alex at the end of the month is less than Tom's (\$20k) which will lower Alex's financial risk.</p>
<p>Evidence: Positive reviews.</p> <p>Explanation: Regulars are satisfied about product quality and staff service and will probably become loyal customers.</p> <p>Good reputation is a valuable business asset (because it represents stability and trust) which commands higher prices for goods</p>	<p>Evidence: Positive reviews</p> <p>Explanation: Customers are drawn to her low prices and her "one-stop" shop business model. Business likely to grow.</p>