

DECISION BRIEF / DECISION AND REQUIREMENTS

Should You Buy the Competitor or Expand Your Business?

Fictional example: you own a service business and are considering buying a smaller competitor or expanding your existing business. This brief supports your next decision; it does not approve a purchase.

The purchase has not yet been shown to meet all three of your requirements. The annual profit estimate exceeds your target under the supplied assumptions. Original payment terms fail your cash requirement. Your operational time commitment and the year-two profit deadline remain unconfirmed.

YOUR REQUIREMENT	WHAT THE FIGURES SHOW	WHAT COULD CHANGE THE RESULT
Profit Add \$120,000/year by end of year two, before financing and tax.	\$174,000/year estimated once the business is operating normally after takeover.	Largest-customer loss reduces profit to \$30,000 , other inputs unchanged. The customer has not said it will leave.
Cash Keep \$300,000 throughout takeover.	Original terms leave \$180,000 after fees/setup. At \$450,000 upfront, the lowest calculated month-end balance is \$320,000 .	Revised terms are unagreed. One delayed payment lowers cash to \$280,000 . Lower balances between month ends and later cash needs remain untested.
Your time No more than eight additional hours weekly at every stage.	Not established. We do not know whether the \$110,000/year manager can cover the seller's work.	Work left to you could exceed eight extra hours each week running the acquired business. Additional staff would reduce profit.

What this means for you: Paying less upfront can protect early cash but leaves later payments dependent on retained profit. Staffing affects both profit and your time. A favorable result on one requirement does not establish the other two.

OUR RECOMMENDATION
Start with a two-week acquisition review, capped at \$2,000 and six hours a week. It is cheaper and faster than the proposed six-week, \$8,000 expansion test. First test whether payment terms can preserve your cash; then test profit and the time you would spend running the acquired business. Page 3 explains the tests and what each result changes.

WHAT COULD WEAKEN THIS RECOMMENDATION
The advantage depends on obtaining useful evidence. If usable records or workable terms cannot be obtained, the reason for starting here weakens. A service offer ready to sell and suitable prospects could favor testing expansion first; their readiness is unconfirmed.

Your next commitment: Seller contact and your own records work count from Day 1. At Day 14, or sooner if important information arrives, reassess. If essential terms or records remain missing, pause paid work. Any extension, expansion test or purchase needs a separate decision.

[Check the numbers and their limits](#) • [Your action plan and Day 14 decision](#)

Full detail: Complete Decision Dossier, pp. 2-5 and 8-9. Ready-to-use materials: seller request, p. 30; evidence tracker, pp. 31-32; Day 14 worksheet, p. 33.

DECISION BRIEF / NUMBERS AND QUALIFICATIONS

The Numbers Behind Your Decision

These calculations use the fictional case inputs. They show what follows from the assumptions, not that those assumptions have been verified.

CALCULATION	RESULT AND WHAT STILL NEEDS CHECKING
Profit after replacing the seller \$320,000 - \$110,000 manager - \$24,000 staff raises - \$12,000 systems.	\$174,000 annual operating profit before financing and tax. The \$54,000 above your goal depends on retained revenue and those cost estimates. Timing to year two and the improvement across both businesses remain unestablished.
If the largest customer leaves \$240,000 revenue × 60% remaining after avoidable costs = \$144,000 lost profit.	\$174,000 - \$144,000 = \$30,000. Other costs stay unchanged in this scenario. It is not a prediction of departure. The customer and the employee serving that account are separate retention questions.
Cash under original terms \$900,000 - \$650,000 upfront - \$70,000 fees/setup.	\$180,000 remains: \$120,000 below your minimum before operations begin. These terms fail your cash requirement.
Cash with \$450,000 upfront \$900,000 - \$450,000 - \$70,000 = \$380,000 at purchase.	Cash then falls to \$320,000 at the lowest calculated month end. Moving a \$40,000 customer payment from month 1 to month 3 lowers that to \$280,000 . The seller has not accepted these terms.
Initial-payment limits \$900,000 - \$70,000 costs - \$60,000 cash needed for operations - \$300,000 reserve.	\$470,000 under base timing; \$430,000 with the delayed receipt. These four-month calculations do not establish overall affordability. Lower balances between month ends, later payments, taxes and further spending require checking.
Expansion illustration 6 customers × \$50,000 × 60% - \$60,000 annual support.	\$120,000 annual operating profit; five customers yield \$90,000 . Demand, delivery capacity, full funding and timing remain untested.

Do Not Confuse Operating Profit With Cash You Can Spend

The proposed \$200,000 deferred purchase balance requires \$50,000 principal annually plus 8% interest on the opening debt. Year-two payments total \$62,000. Subtracting that from \$174,000 leaves \$112,000 before other cash needs. That is not a revised operating-profit figure: principal repayments use cash without reducing operating profit.

Do Not Rely on the Extra \$400,000 in Sales

That amount has no documented customer test and is excluded from the \$174,000 estimate. Of 25 candidate organizations, nine already buy the proposed service from you. Eight of the remaining 16 would need to buy at \$50,000 annually to reach \$400,000. That is a required result, not demonstrated demand.

Where to check: Dossier pp. 10-16, profit and cash; p. 17, effects across both businesses; p. 18, extra sales; p. 19, expansion; pp. 27-29, source inputs S1-S7.

[Return to the decision and requirements](#) • [Use the findings in your action plan](#)

DECISION BRIEF / ACTION AND REVIEW

Your Two-Week Review and Next Decision

Your allowance is \$2,000 total and six hours of your time each week for two weeks. Seller contact, work on your own records and professional fees all belong inside it. Start counting from your first seller contact or records work.

WHAT TO RESOLVE	HOW TO TEST IT AND WHAT THE RESULT CHANGES
1. Can payment terms preserve your \$300,000 cash minimum?	Test actual price and payment proposals against the amounts and dates of receipts, operating expenses and purchase payments. Use the \$470,000/\$430,000 initial-payment calculations as limited starting points. If the seller insists on the original terms, those terms fail. Other structures require a fresh calculation.
2. Can the purchase add \$120,000 annual operating profit by year two?	Check revenue and costs against financial and bank records, customer agreements and staffing estimates. Account for shared customers, costs and effects on your existing business. If the combined gain falls below target, changing payment dates alone will not repair operating profit.
3. Can you run the acquired business within eight extra hours of your time each week?	Establish which of the seller's responsibilities the proposed manager would cover and what would remain yours. Estimate your operational hours. If additional staff are needed, include their cost and recalculate profit. Check the effect on your existing business's expected \$20,000 monthly addition to cash.

At Day 14, Decide Whether Further Work Is Worthwhile

Record actual spending, hours, what you learned and what remains unknown. Pause paid acquisition work if essential terms or records are missing. If evidence supports further investigation, define the remaining question, tasks, budget and time before authorizing it. A completed review does not approve a purchase.

If a requirement fails: revisit revenue and recurring costs for a profit shortfall; price and payment timing for a cash shortfall; staffing and your operational hours for a workload problem. A rejection of one payment proposal does not rule out every structure. Missing information does not prove a requirement is impossible.

If You Choose to Test Expansion Instead

The proposed test lasts six weeks, costs up to \$8,000 and uses six hours of your time weekly. Offer a defined paid trial to 20 suitable prospects and record payments, delivery costs and hours. Two paid trials delivered within tested cost and capacity assumptions support considering another limited test; they do not prove six annual customers can be won.

Choose the order rather than running both original tests together. Each uses six hours weekly, totaling 12 against your eight-hour limit. Running them consecutively gives planned totals of eight weeks and up to \$10,000, but each next step requires its own authorization.

Ready-to-Use Materials in Your Dossier

- Seller request, p. 30: a message you can adapt and send.
- Evidence tracker, pp. 31-32: record sources, findings, gaps and follow-ups.
- Day 14 worksheet, p. 33: record your decision, reasons and any new limits.

[Return to the decision and requirements](#) • [Return to the numbers](#)
Detailed continuation rules: dossier pp. 21-23.