

CONCISE FINDINGS

Should You Buy the Competitor or Expand Your Business?

Fictional case with illustrative figures. In this example you own a business-to-business service company and are weighing two routes to one goal: \$120,000 more operating profit a year, before financing and tax.

The Finding

The annual profit estimate exceeds your target under the supplied assumptions. The original payment terms fail your cash requirement; revised terms keep cash above \$300,000 only in the base four-month calculation. Your time limit and the year-two profit deadline remain unconfirmed. Each result depends on one thing nobody has confirmed: whether the largest customer stays, whether the seller will accept a smaller payment at closing, and whether the new manager takes over the seller's work. The table below shows each requirement, the result, and what could break it or is still unconfirmed.

REQUIREMENT	RESULT ON THE SUPPLIED FIGURES	WHAT BREAKS IT OR IS STILL UNCONFIRMED
Profit \$120,000 more operating profit a year, before financing and tax, by the end of year two	\$174,000 a year once the takeover is complete and the business runs at a normal level. Margin above goal: \$54,000 .	The largest customer (\$240,000 revenue) leaving cuts profit to \$30,000 . The customer has not said whether it will stay.
Cash \$300,000 available throughout the takeover	The original terms (\$650,000 at closing) leave \$180,000 after fees and setup, below the floor. Under the four-month cash assumptions, the most you could pay at closing is \$470,000 , falling to \$430,000 if one \$40,000 customer payment arrives two months late. Neither figure establishes that the purchase is affordable overall.	The seller has agreed to no deferred terms. Under your \$450,000 proposal, the lowest month-end cash balance calculated for the first four months is \$320,000 ; with the late payment it is \$280,000 . Actual cash could fall lower between month-ends.
Your time Eight added hours a week at every stage	Not yet established. We have not established whether running the acquired business would require more than eight additional hours of your time each week.	Check which responsibilities the proposed manager would cover and what would remain yours. Duties that fall back to you also put at risk the \$20,000 a month your existing business is expected to add to cash.

Excluded from every figure above: the \$400,000 extra revenue in your forecast. It is an untested AI suggestion with no documented buyer. **Timing:** the \$174,000 is a full-year figure after the takeover settles. Nothing supplied shows how long that takes, so whether you reach \$120,000 by the end of year two is unknown.

WHAT THIS MEANS

The decision today is not whether to buy. It is which of two limited tests to run first: a two-week acquisition review (\$2,000, six hours a week) or a six-week expansion test (\$8,000, six hours a week). They cannot run together: twelve hours a week against your eight-hour limit.

SUGGESTED FIRST STEP / A RECOMMENDATION, NOT A RECORDED CHOICE

Run the acquisition review first. It is cheaper and faster, and the seller's answer on payment terms is an early test: if the seller insists on the original terms, those terms fail your \$300,000 cash requirement. A different price or payment structure would need its own cash calculation. Ask for terms, records and the manager's duties on Day 1. Review on Day 14, or sooner when the requested materials arrive.

If terms or records are still missing at Day 14, pause paid acquisition work and decide whether to authorize the expansion test. The two tests' planned durations and spending caps add up to eight weeks and \$10,000; each further step needs its own authorization. Completing the review does not authorize a purchase.

WHAT COULD WEAKEN THIS RECOMMENDATION

If the seller cannot supply usable records or workable terms within the two weeks, the reason for starting with the acquisition review weakens. A service offer ready to sell and a list of suitable prospects would favor testing expansion first. Whether you have either is unconfirmed.

Your Limits for the Two-Week Acquisition Review

BOUNDARY	RECORDED LIMIT
Spending and time	\$2,000 total; six hours a week for two weeks. The two weeks start on Day 1, when you first contact the seller or begin reviewing your own records.
Purchase approved?	No. Further spending, an extension or a purchase each needs its own decision, scope and limits.
Review point	Day 14, or sooner when the requested materials arrive.

[All requirements and critical unknowns](#) • [Key findings](#) • [Your next two weeks](#) • [The numbers that decide the choice](#)
Ready-to-use materials: [Seller request \(p. 30\)](#) | [Evidence tracker \(pp. 31-32\)](#) | [Day 14 review \(p. 33\)](#)

Decision at a Glance

In this fictional example, “you” own a service business and are considering buying a smaller competitor. “The seller” owns that competitor. The business figures and suggested first step are illustrative.

ITEM	CURRENT STATUS
Suggested first step	A two-week acquisition review, as a recommendation rather than a recorded choice. Testing expansion first remains reasonable; no uniquely best order is established.
Spending and time cap	\$2,000 total; six hours a week for two weeks. Seller contact and your own records work count from Day 1.
Purchase approved?	No. The review is a separate, limited commitment.
Core requirements	Add at least \$120,000 annual operating profit by year two, before financing and tax; retain \$300,000 cash throughout takeover; use no more than eight additional hours weekly across investigation, testing and operation.
Critical unknowns	Customer retention, seller-duty coverage, agreed payment terms, the amounts and expected dates of money coming in and payments going out, and the effect on your existing business.
Choices at Day 14	Stop or pause; authorize a defined extension or deeper review; or test expansion. Review sooner if important information arrives. Further work needs its own scope and limits.

KEEP THE REQUIREMENTS TOGETHER

The operating-profit goal, continuous cash minimum and owner-time limit must all be met. A favorable result on one measure does not establish the other two.

Testing expansion first remains reasonable. The available evidence does not establish a uniquely best order. No purchase is authorized by this review.

[Return to the decision brief](#) • [Examine the supporting findings](#) • [Decision record](#)

The Findings Behind the Choice

OUR CLAIM

The figures support investigating the purchase, not committing to it. The adjusted profit estimate clears the goal under the supplied assumptions.

WHAT COULD WEAKEN THIS FINDING

Profit alone does not establish feasibility. Customer retention, cash timing and which of the seller’s responsibilities the manager would take over remain unresolved. Read the figures with their assumptions; expansion-first remains reasonable.

KEY FINDING	WHY IT MATTERS / WHAT REMAINS OPEN
Profit: \$174,000 estimated \$30,000 if the largest customer leaves.	The adjusted annual estimate exceeds the goal, but customer retention, transition timing and the effect on your existing business remain unresolved. The loss scenario holds all other supplied figures unchanged. See profit
Cash: \$320,000 modeled low \$280,000 with one delayed receipt.	The proposed payment terms are unagreed. The four-month model does not establish the \$300,000 continuous cash requirement; within-month lows and later cash needs remain untested. See cash
Workload: not established	The manager must cover the seller’s actual duties. Otherwise your eight-hour limit and the existing business’s assumed cash contribution could be at risk. See dependencies
Extra sales: untested	The \$400,000 revenue suggestion has no documented buyer test. It is excluded from the \$174,000 profit calculation and cannot be used to make the purchase work. See supporting evidence

[Continue: how the conditions affect the choice](#)

What Could Change the Choice

Continues the findings section on page 3.

What the Findings Mean Together

Paying less upfront protects early cash but leaves payments due later. Losing customers could weaken the profit available to meet those payments. If the manager does not cover the seller’s work, your time commitment could rise and your existing business’s cash contribution could fall. These conditions must be examined together.

The Strongest Alternative

Testing expansion first avoids buying a company and uses your existing service. No supplied deadline requires you to rush. Its demand and delivery assumptions remain untested, and its \$8,000 test must be compared with the \$2,000 acquisition review, not only with the later purchase price.

WHAT WOULD CHANGE THE ORDER

Prompt access to credible records favors examining the acquisition first. A ready service offer and suitable prospects favor expansion-first. An unacceptable management-replacement arrangement strengthens the case for testing expansion. No route is established as uniquely best.

[Compare the next steps](#) • [Check the decisive calculations](#) • [Back to Decision at a Glance](#)

Your Next Two Weeks

Use a limited review to determine whether further acquisition work is worth its cost. Seller contact and your own records review count from Day 1; there is no extra preliminary week.

KEEP THE COMMITMENT BOUNDED

Maximum \$2,000 and six hours of your time per week for two weeks. Professional fees and records work consume that allowance. A useful review does not commit you to buying.

DO / ASK	WHAT THE ANSWER CAN CHANGE
Send a short seller request. Ask about total price, initial and later payments, record availability, and who performs the seller's duties.	Sending it early may let response time overlap with your own work. One rejected payment proposal does not close every acquisition route.
Review your existing business. Establish profit by customer and service, shared customers, changing costs and work that already loses money.	The acquired company's standalone profit may overstate the improvement across both businesses. Lost owner attention may weaken existing cash generation.
Confirm staffing and customer responsibilities. What does the proposed manager cover? Who serves the largest account? What remains unconfirmed?	Tests the management cost, eight-hour limit and assumptions about retained revenue. Employee retention and customer retention are separate questions.
Obtain dated cash information. Request receipts, payroll, suppliers, setup costs and purchase payments.	Tests when the cash minimum could be breached. Keep operating costs and purchase payments distinct; count each payment once.

Before exchanging sensitive records: agree how they will be protected and identify who will examine financial records and agreements. Further financial, legal and operational work would be needed before a purchase.

DAY 14 / OR EARLIER IF IMPORTANT INFORMATION ARRIVES

Record what was learned, actual fees and hours, and the remaining gaps. If essential terms and records are unavailable, pause paid acquisition work and decide whether to test expansion. Any extension needs a separate decision.

[Continue, pause or change direction](#) • [Detailed evidence requests](#) • [Compare the tests](#)

KEY EVIDENCE / ALL FIGURES ARE FICTIONAL

The Numbers That Determine the Choice

These calculations use the supplied example inputs. Correct arithmetic does not verify those inputs or establish that the goal will be achieved.

CALCULATION	RESULT AND LIMIT
Annual operating profit \$320,000 - \$110,000 management - \$24,000 staff pay - \$12,000 systems. Inputs: S2, S3.	\$174,000 before financing and tax, after takeover settles. Excludes the proposed extra sales; transition and combined-business effects remain unmodeled.
Largest-customer loss \$240,000 revenue × 60% contribution = \$144,000 lost profit. \$174,000 - \$144,000. Inputs: S3.	\$30,000 annual operating profit if that customer leaves and all other supplied figures stay unchanged. This is a scenario, not a prediction.
Cash at closing / proposed terms \$900,000 - \$450,000 purchase payment - \$25,000 fees - \$45,000 setup. Inputs: S1, S4.	\$380,000 at closing; the four-month model has a modeled low of \$320,000. A delayed \$40,000 receipt lowers that to \$280,000. Seller agreement and full timing remain unresolved.
Expansion at six customers 6 × \$50,000 × 60% - \$60,000 support. Inputs: S5.	\$120,000 annual operating profit. At five customers: \$90,000. Demand, cost assumptions and workload remain untested.
Run both tests at planned hours 6 review hours + 6 expansion-test hours. Inputs: S1, S5.	12 hours a week exceeds the eight-hour limit. Sequence the tests or reassess reduced scopes; smaller versions are not established here.

Keep the measures separate. Operating profit is not cash available after purchase payments. A test budget is not the cost of the later full commitment. A modeled month-end balance is not proof of the lowest balance at every point.

[Profit detail](#) • [Cash detail](#) • [Source inputs](#)

Why the Original Question Needed Refinement

Plain-English Finding. A careful examination of the purchase could still leave the real goal unanswered. The question must identify the desired result, compare plausible routes, and distinguish paying to investigate from agreeing to buy.

THE ORIGINAL REQUEST

“Read the acquisition material and our earlier discussion. What have we overlooked, and what should I examine before I take this further?”

What “Take This Further” Leaves Unclear

The request asks for scrutiny but leaves the next commitment unspecified. “Further” could mean asking questions, paying for a short review, negotiating terms or committing to a purchase. Those actions use different amounts of money and time and create different obligations.

The request also leaves the profit goal, cash minimum, time limit and deadline unstated. A list of acquisition concerns could answer the request without testing whether buying serves the owner’s goal better than expanding the existing service.

THE REFINED DECISION QUESTION

What should you examine or test next to determine whether buying the competitor or expanding the existing service can add \$120,000 annual operating profit by year two, preserve \$300,000 cash throughout takeover, and stay within eight additional hours a week?

What the Refinement Changes

Both routes must be examined against the same outcome and limits. The profit test concerns your total improvement, so the acquired company’s standalone estimate is not enough. The cash minimum applies throughout takeover; a year-end balance cannot establish it. The time limit covers investigation, testing and operation.

The present choice is which limited step deserves resources. A short records review can be stopped, although its fees and hours remain spent. Buying creates staff, customer and payment responsibilities that may be costly to reverse. Completing the review does not authorize that larger commitment.

Source: the original request reproduced in the supplied report and the goals and limits recorded in S1. [Continue to the options comparison.](#)

Compare the Next Steps Before the Commitments

OUR CLAIM

A limited acquisition review is a reasonable next step, not an agreement to buy. The immediate choice is which investigation or test deserves time and money. Buying is only one route to the profit goal.

WHAT COULD WEAKEN THIS FINDING

Expansion-first remains reasonable. Acquisition-first depends on obtaining useful records, possible terms and management detail within the allowance. Their availability is unconfirmed; no uniquely best sequence is established.

IMMEDIATE CHOICE	ACQUISITION REVIEW	EXPANSION TEST
Limits	Two weeks; up to \$2,000; six hours weekly.	Six weeks; up to \$8,000; six hours weekly.
What it can establish	Whether usable records, possible terms and clarity about which of the seller's responsibilities the manager would take over justify further work.	Whether suitable buyers pay for a defined service and whether trial delivery fits tested costs and capacity.
What favors starting here	Prompt access to reliable profit, staffing and cash information.	A ready offer, access to suitable prospects and workable delivery capacity.
What a useful result does not establish	That buying meets all requirements or is authorized.	That six annual customers can be won or full expansion is affordable.

Continue: why the order remains open

Why the Order Remains Open

Continues the options section on page 8.

The acquisition review is the suggested first step because key terms and earnings records may be obtainable within two weeks. That supports a small review, not a presumption that purchasing is better. If those records remain unavailable, the reason for giving acquisition first attention weakens.

The strongest alternative: test expansion first. It uses the existing service and avoids a company purchase. No supplied seller deadline requires a rush. Its \$8,000 test is, however, more expensive than the \$2,000 investigation; compare tests with tests.

Other routes: a referral or subcontracting arrangement could provide customer access or capacity without buying, but none has been offered. Examine actual fees, responsibilities and attainable profit before relying on it. Waiting preserves cash and time while leaving the profit goal unmet; ask about deadlines, other buyers and possible competitive effects.

A reason to switch attention: if the proposed management replacement is unacceptable, the acquisition may no longer fit the workload requirement. That strengthens expansion-first; it does not establish expansion demand.

A purchase can create staff, customer and payment obligations that are costly to reverse. A short review is easier to stop, although spent fees and time cannot be recovered. Full expansion funding has not been modeled.

Profit After the Seller Leaves

OUR CLAIM

The adjusted annual operating-profit estimate is \$174,000, above the \$120,000 target. Replacing the seller’s work and including the additional costs reduces the supplied \$320,000 earnings figure by \$146,000.

WHAT COULD WEAKEN THIS FINDING

Retained revenue and adequate management are essential. Losing the largest customer reduces modeled profit to \$30,000 with other inputs unchanged. The transition timetable and how much more profit your two businesses would earn together remain unresolved; this is a sensitivity test, not a prediction.

Operating profit means revenue after the recurring costs of delivering and managing the service, before financing costs and income tax. It is not the cash left after paying for the purchase.

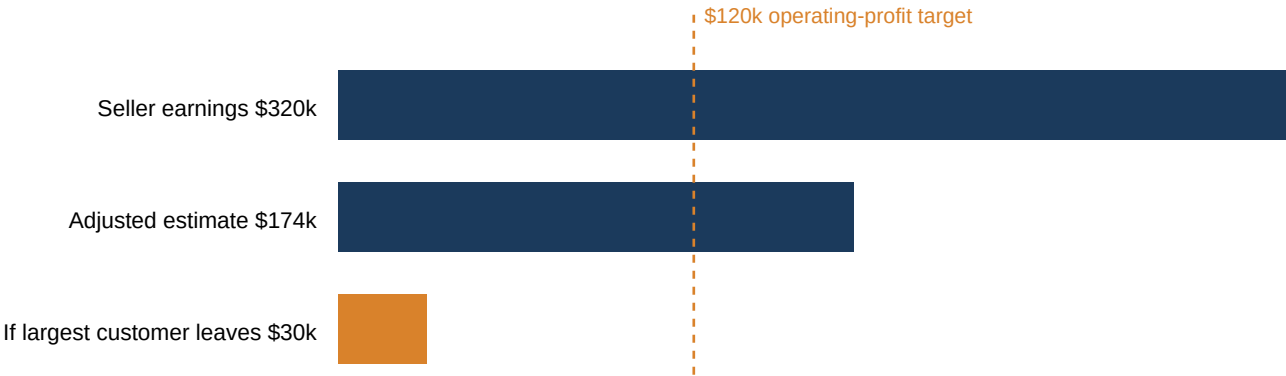
ANNUAL OPERATING-PROFIT BRIDGE	AMOUNT
Revenue \$2,000,000 less operating expenses \$1,680,000	\$320,000
Replacement manager, including employment costs	-\$110,000
Proposed pay increases for two staff members	-\$24,000
Additional recurring systems costs	-\$12,000
Adjusted estimate before financing and tax	\$174,000

What is supplied: the seller’s work has no salary in the original expense total; personal withdrawals are outside those expenses. The management, pay and systems figures are supplied estimates. Confirm what each includes, manager availability and any missing costs. Sources: S2 and S3.

[Continue: customer-loss sensitivity and remaining limits](#)

How Customer Loss Changes Profit

Continues the profit section on page 10.



Customer-loss scenario: losing \$240,000 revenue removes \$96,000 avoidable direct costs at the supplied 40% assumption. Profit falls by \$144,000. Remaining management and staff costs stay in place. The customer has not said it will leave.

THE \$54,000 ABOVE TARGET IS CONDITIONAL
At a 60% contribution to profit, losing \$90,000 annual revenue would erase the \$54,000 margin above target. Different customers may have different avoidable costs; this is not a general forecast.

Still unresolved: \$174,000 is the estimated annual profit after the transition, once the business is operating normally; it is not the transition year's profit. The timetable to year two and the change in total profit across both businesses must still be established.

Inputs: S2 and S3. The chart compares supplied earnings, the adjusted estimate and the conditional customer-loss scenario. [Return to the profit calculation.](#)

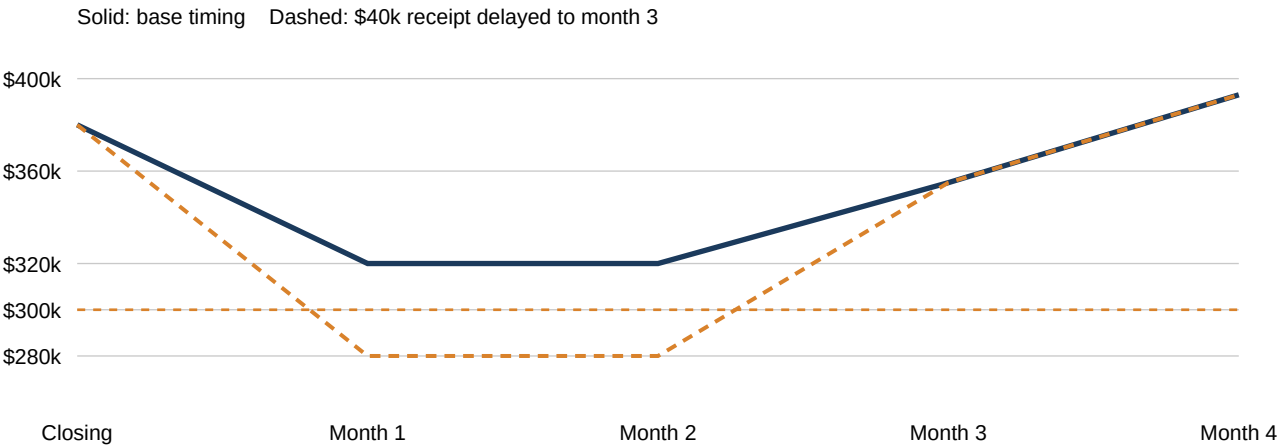
Will Cash Stay Above \$300,000?

OUR CLAIM

The proposed payment structure preserves the reserve in the base four-month model. The modeled low is \$320,000, only \$20,000 above the \$300,000 minimum.

WHAT COULD WEAKEN THIS FINDING

A delayed \$40,000 receipt breaches the modeled cash minimum. Cash falls to \$280,000. Seller acceptance, lower within-month balances and later cash needs remain unresolved, so this model does not establish continuous compliance.



Modeled balances only; lines do not show within-month cash movements.

WHAT THIS MODEL DOES NOT ESTABLISH

Only closing and four month-end balances are shown; lower within-month balances are assumed absent. Actual flows could fall lower. Months 5-12, acquired-business taxes, further capital spending and later seller payments remain unmodeled.

Sources: S1, S4 and S6. The existing business’s contribution assumes adequate ongoing management.

Continue: the balances and payment arithmetic

The Cash Balances Explained

Continues the cash section on page 12.

CASH MOVEMENT (\$000s)	CLOSE	M1	M2	M3	M4
Opening balance	900	380	320	320	355
Purchase payment, fees, setup	-520	0	0	0	0
Existing business net cash	0	+20	+20	+20	+20
Acquired business operating cash	0	-80	-20	+15	+18
Base closing balance	380	320	320	355	393
Delayed-receipt balance	380	280	280	355	393

Original terms fail the stated cash requirement. Paying \$650,000 at closing leaves \$250,000 before fees and setup, or \$180,000 after the separate \$70,000 costs. The alternative modeled above pays \$450,000 initially and leaves \$200,000 owed.

A timing issue, not another expense: the \$80,000 first-month outflow already includes operating flows; do not count it twice. The \$45,000 setup is separate. Delaying the receipt changes timing, not revenue.

Model limits: these are conditional four-month balances, not proof of cash staying above \$300,000 at every point. Seller acceptance, within-month lows and later cash needs remain untested. Inputs: S1, S4 and S6. [Chart and full qualifications.](#)

Less Cash Upfront Means Payments Later

OUR CLAIM

Deferring purchase payments can protect early cash. A smaller initial payment leaves more cash available during takeover without improving operating profit.

WHAT COULD WEAKEN THIS FINDING

Later principal and interest still need funding. Customer losses or other cash needs could weaken payment capacity. Any change to the initial payment requires seller agreement and a new calculation of the full repayment structure.

FOUR-MONTH INITIAL-PAYMENT LIMIT	CALCULATION
\$470,000 / base timing	\$900,000 available - \$70,000 fees/setup - \$60,000, the largest amount operations use from your starting cash before later receipts replenish it, - \$300,000 reserve.
\$430,000 / delayed receipt	The base limit less another \$40,000 temporarily unavailable.

The \$60,000 draw occurs in month 1 and remains in month 2. It is not the net cash movement across all four months. [See how the cash limit is derived.](#)

The \$450,000 proposal fits the base timing but exceeds the delayed-receipt limit by \$20,000. Reducing the upfront payment by that amount would restore the minimum for this delay alone. Seller agreement, later cash needs and within-month lows remain unresolved; these limits do not establish overall affordability.

[Continue: later seller payments and payment capacity](#)

What the Later Payments Require

Continues the payments section on page 14.

The supplied fictional proposal repays \$200,000 over four years: \$50,000 principal annually plus 8% interest on the opening balance. Payments begin at the end of year 1. Source: S4.

YEAR	OPENING DEBT	PRINCIPAL	INTEREST	PAYMENT
1	\$200,000	\$50,000	\$16,000	\$66,000
2	\$150,000	\$50,000	\$12,000	\$62,000
3	\$100,000	\$50,000	\$8,000	\$58,000
4	\$50,000	\$50,000	\$4,000	\$54,000

PAYMENT CAPACITY IS NOT OPERATING PROFIT

Year 1: \$174,000 operating profit less \$66,000 seller payment leaves \$108,000 before other cash needs. Year 2: \$174,000 less \$62,000 leaves \$112,000. Neither is a revised operating-profit figure. Principal uses cash without reducing operating profit.

Total interest is \$40,000. These subtractions do not model tax, equipment purchases or the timing of receipts and payments. In the largest-customer-loss scenario, \$30,000 operating profit is \$36,000 below the first seller payment alone.

Keep alternatives open: rejection of this proposal does not rule out another price, payment timing or arrangement. No alternative is assumed to be available.

Why the Payment Limit Uses a \$60,000 Cash Draw

Plain-English Finding. The initial payment must leave enough cash for the largest cumulative shortfall before later receipts arrive. The four-month net improvement does not describe that earlier cash need.

OPERATING CASH (\$000s)	MONTH 1	MONTH 2	MONTH 3	MONTH 4
Existing business	+20	+20	+20	+20
Acquired business	-80	-20	+15	+18
Combined monthly movement	-60	0	+35	+38
Cumulative movement since closing	-60	-60	-25	+13

The existing business supplies \$80,000 across four months; the acquired business uses a net \$67,000. The combined four-month movement is therefore +\$13,000. But cash is first \$60,000 below the closing balance, at the ends of months 1 and 2.

BASE TIMING / INITIAL-PAYMENT LIMIT

Start with \$900,000. Retain \$300,000, allow \$70,000 for separate fees and setup, and keep \$60,000 available for the cumulative operating draw. That leaves \$470,000 for the initial purchase payment. With the \$450,000 proposed initial payment, cash at closing is \$380,000. Subtracting the \$60,000 operating draw gives the \$320,000 modeled low. That is why the model shows only \$20,000 above the reserve.

DELAYED RECEIPT / INITIAL-PAYMENT LIMIT

Moving a \$40,000 receipt from month 1 to month 3 increases the largest amount operations use from your starting cash before later receipts replenish it to \$100,000. The same calculation then leaves \$430,000 for the initial purchase payment. The \$450,000 proposal exceeds that limit by \$20,000.

Limits that still apply: these are four-month calculations with simplified timing. Lower within-month balances, later payments, taxes or further capital needs could reduce the payment limits. A different upfront payment changes the amount owed later and requires seller agreement and a new repayment calculation.

Inputs: S1, S4 and S6. [Cash balances](#) • [Payment structure](#)

What the Findings Mean Together

Plain-English Finding. Staffing, customer revenue and payment timing cannot be tested as isolated conditions. A change that appears to improve one calculation may weaken another. The proposed terms are useful only if the business also retains revenue and fits the workload limit.

CONNECTION	WHY IT CHANGES THE REVIEW
Staff cost and retained revenue One employee receiving a proposed pay increase serves the largest customer.	Removing the increase improves the cost forecast only if the resulting staffing and customer assumptions remain credible. The employee's response is unknown. Retaining the increase does not guarantee the employee or customer stays.
Which of the seller's responsibilities the manager would take over, and your own capacity The \$110,000 estimate assumes replacement of the seller's work.	If sales or service duties fall back to you, the acquisition could exceed eight additional hours weekly. Lost attention may also weaken the existing business's assumed \$20,000 monthly cash contribution.
Revenue and seller payments Lower upfront payment leaves a later obligation.	A major customer loss could leave profit below the seller payment before other cash needs. Early cash protection does not establish later payment capacity.
Standalone profit and your actual improvement The \$174,000 estimate covers the acquired business.	Shared customers, duplicated revenue, lost owner attention or costs saved across both businesses could change the total gain. Establish the existing business's starting profit.

EXAMINE THESE QUESTIONS TOGETHER

What work will the manager actually cover? What does the employee do for the major customer, and who could replace that work? Which customer revenue is supportable? Can the combined operation meet dated cash obligations while staying within your time limit?

Do not merge the roles: the existing employee serving the large account and the proposed replacement manager are different people in the supplied case. Continued employment and customer purchases both remain unconfirmed.

These are dependencies to investigate, not proof that an employee will leave or that the existing business will weaken. Keeping the largest customer also does not establish the entire profit forecast.

The Extra Sales Are Still an Untested Estimate

Plain-English Finding. The proposed \$400,000 extra revenue traces to an AI suggestion, not documented customer demand. It is excluded from the \$174,000 operating-profit estimate. Evaluate the purchase without depending on those extra sales.

STEP	WHAT THE SOURCE SUPPORTS
AI suggestion	The fictional extract proposes 20% additional revenue on the competitor's \$2 million annual revenue and explicitly says there is no customer test.
Later forecast note	The buyer then includes \$400,000 additional annual revenue. Multiplying \$2 million by 20% checks the arithmetic; it does not validate the percentage.
Candidate list	Of 25 organizations, nine already buy the same proposed service from the buyer. Sixteen remain candidates for additional sales. Eight new annual buyers at \$50,000 each are proposed.

WHAT WOULD HAVE TO HAPPEN

Eight purchases among sixteen remaining candidates implies half would need to buy. That is a requirement embedded in the proposal, not a predicted conversion rate. Budget, interest, buying dates and transfer of seller relationships have not been established.

Existing buyers could purchase other services, but an additional purchase cannot be assumed. Revenue also cannot be added directly to profit: selling expense, staff capacity and service costs would have to be included. No supported margin is supplied for the proposed extra sales.

How this affects the next step: keep extra sales as a possible benefit to test separately with specific customer questions. Do not let the untested figure justify the purchase or repair a weak base calculation.

Overlap remains unknown: S5 lists 20 expansion prospects and S7 lists 25 candidates for extra sales after purchase. Match the organizations before treating those opportunities as independent. No combined revenue forecast is used here.

Evidence status: the supplied fictional conversation establishes the estimate's described origin within this example. It does not establish real buyer demand. [Read S7 and the cash assumptions.](#)

If You Test Expansion Instead

OUR CLAIM

Six annual customers could produce the \$120,000 operating-profit goal. This result uses the supplied price, contribution and recurring-support assumptions.

WHAT COULD WEAKEN THIS FINDING

Demand and delivery capacity are untested. Five customers produce only \$90,000 at the same support cost. Two paid trials would support considering another limited test, not prove that six annual contracts can be won.

ANNUAL ILLUSTRATION	SIX CUSTOMERS	FIVE CUSTOMERS
Revenue at \$50,000 each	\$300,000	\$250,000
60% after direct delivery costs	\$180,000	\$150,000
Recurring support cost	-\$60,000	-\$60,000
Operating profit	\$120,000	\$90,000

The five-customer scenario is \$30,000 below target and holds support costs unchanged. Neither column predicts demand. Full funding needs and a timetable for winning and serving six annual customers remain unmodeled. Source: S5.

SIX-WEEK TEST / \$8,000 MAXIMUM / SIX HOURS WEEKLY

Approach 20 suitable prospects with a defined service and paid trial. Record the offer and price before outreach. The trial price is not established by the \$50,000 annual-contract assumption and must cover the agreed delivery work.

Define who qualifies: a prospect fits the service, can participate in the buying decision and has a relevant need. Track how many received and understood the offer. A request for a conversation is not a paid offer.

Record: responses, paid engagements, payments, selling time, delivery hours, direct costs and reasons given for declining. Separate interest without payment from purchases.

Interpret results carefully: two paid trials delivered within tested cost and capacity assumptions justify considering another limited test. Fewer than two purchases prompts examination of reach, understanding, offer and delivery. Failure to reach the intended prospects cannot establish their rejection of the service.

Reasons buyers give guide further questions; they do not establish the cause of every nonpurchase. A weak result does not prove acquisition is better. Record any new test's limits separately, and do not run both original tests at twelve combined weekly hours.

What Still Needs to Be Established

Plain-English Finding. Missing information prevents a requirement from being treated as met. It does not establish that the requirement is impossible. Focus the limited review on information that could change the next choice.

REQUEST / SOURCE	WHAT IT RESOLVES
Earnings records Seller: 24 months of monthly profit-and-loss and bank records; tax returns for the corresponding years.	Reconcile earnings and expenses, separate personal withdrawals and identify recent changes hidden by an annual total. Bank records alone do not establish operating profit.
Customers and agreements Seller: revenue by customer, losses, relevant agreements and who serves major accounts.	Test concentration, payment timing, relationships and whether agreements permit leaving or changed terms on sale. Appropriate legal review is needed for the agreements.
Staff and management Roles, compensation, arrangements and proposed manager duties.	Test what the \$110,000 and \$24,000 cover and whether eight owner hours remain plausible. Confirm responsibilities separately from intentions to stay.
Money coming in and payments going out, with expected dates, and obligations Receipts, payroll, suppliers, setup, later purchase payments, assumed debts and contracts.	Test the continuous reserve and future payment capacity. Separate operating flows, purchase payments, tax and capital spending.
Seller terms and intentions Acceptable structures, timing, remedies for missed payments and explanation for selling.	Establish what is actually available. Check the selling explanation against records. Ask about future competition and proposed customer restrictions; a lawyer must assess enforceability.

NOT ESTABLISHED BY THIS ILLUSTRATION
No real company records, customer interviews, seller acceptance or confirmed staffing plan are evidenced here. The first-year transition, full-year cash schedule, within-month lows, combined-business profit change and full expansion funding remain unresolved.

A possible restriction on competing or approaching customers is a question to examine, not an automatic stop rule. Discuss duration and area where relevant; do not assume a restriction can lawfully be agreed or enforced.

When to Continue, Pause or Change Direction

OUR CLAIM

Continue the limited review while evidence could establish a route meeting all three requirements. The relevant tests are profit, cash and owner time, within the agreed review allowance.

WHAT COULD WEAKEN THIS FINDING

Missing essentials can make further paid work unjustified. At Day 14, unavailable terms and records mean pausing paid acquisition work. Missing evidence is not a demonstrated failure; different established failures may need different remedies.

Continue While the Review Can Answer the Important Questions

Within the agreed review allowance, continue when the seller provides a concrete payment proposal, usable financial records and enough management detail to test who will perform the work. Those materials can support a useful assessment. A seller’s enthusiasm cannot substitute for them.

At Day 14, useful findings may justify proposing a further review, but they do not extend the budget automatically. Record the remaining question, why its answer could change the choice, and the scope, cost and time of any additional work before authorizing it.

Continue: what to do when a requirement fails

When a Requirement Fails

Continues the continuation-rules section on page 21.

IF THIS HAPPENS	WHAT IT MEANS / WHAT TO RECONSIDER
Cash falls below \$300,000	The terms fail the cash requirement unless the owner explicitly changes it after examining the consequences. A changed price or payment schedule needs a fresh cash test; it does not automatically improve profit.
Operating profit falls below \$120,000	The supplied terms fail the profit goal. Check revenue and recurring costs. Deferring the purchase price cannot by itself repair operating profit. The year-two timetable still matters.
Additional work exceeds eight hours weekly	The plan fails the workload limit. Reassess duties and management coverage, including any resulting costs and effects on the existing business.
A requirement remains unconfirmed	Do not mark it met or impossible. Identify the missing information and whether obtaining it still justifies the effort.

PAUSE OR CHANGE DIRECTION

If essential terms and records are unavailable at Day 14, pause paid acquisition work and decide whether to test expansion. An unacceptable management replacement also strengthens expansion-first. A rejection of one payment proposal leaves other structures open, but none is assumed available.

A purchase that fails a requirement does not meet the stated goal on those terms. Any changed requirement belongs in the decision record.
[Record your choice and review point.](#)

Your Decision and What Happens Next

This records the suggested first step in the fictional example as a proposed choice. It is not a decision or approval by a real buyer. Expected results and later observations remain separate.

RECORD	CURRENT ENTRY
1. Proposed choice and expected learning	A two-week acquisition review, up to \$2,000 and six hours weekly from Day 1. Learn about possible terms, seller-duty coverage, profit, cash and workload. No agreement to buy.
2. Other options	Expansion-first avoids the cash commitment of buying and no confirmed seller deadline requires a rush. Both tests cannot overlap at their planned hours. No referral arrangement is offered; waiting leaves the goal unmet.
3. Reason for this choice	The \$174,000 adjusted estimate exceeds target, and key records and terms may be obtainable within two weeks. The review checks whether staffing, revenue and timing can work together.
4. Remaining uncertainty	Which of the seller's responsibilities the manager would take over, staff retention, customer revenue, payment timing and seller terms. The \$2,000 may be spent without finding a workable purchase. Untested extra sales cannot be required for the purchase to work.
5. Continue, stop or change	Useful terms, records and management detail support continued review within the allowance. At Day 14, missing essentials mean pausing paid work. Profit, cash and time failures need separate remedies. Further work needs new authorization. Full continuation and stop rules
6. Review point	Day 14 from the start, including preliminary seller questions, or sooner when important information arrives. Compare actual fees, hours and findings with the plan. Decide separately on any extension, expansion test or purchase.

7. ACTUAL RESULTS / NOT YET AVAILABLE

No actual outcome exists for this fictional case. In real use, record the new evidence, fees and hours, what happened, and whether it supports continuing, changing direction or stopping. Preserve the original reasons for comparison.

To revisit the decision: bring this report and updated records, identify which assumptions changed, and request reassessment of the affected conclusions. New terms may justify another review; unresolved gaps do not improve the proposal.

[Return to the action plan](#) • [How the report was reviewed](#) • [Source register](#)

The Separate Examination

Triangulation here means comparing a separate model examination with the existing analysis, testing differences and retaining supported corrections. It does not turn agreement between models into verification of business facts.

What Was Examined Separately

The supplied original report says the case materials were given to Claude in an incognito conversation. According to the person conducting that examination, the report and its conclusions were withheld. The responses were then brought into the original conversation for comparison and challenge. Technical isolation was not independently verified.

What the Examination Added

ADDITION DESCRIBED IN THE SOURCE REPORT	WHY IT MATTERS
Existing-business starting profit and possible customer overlap.	The acquired company’s estimated profit does not establish the total improvement. Lost attention or duplicated revenue could reduce it.
Five-customer expansion calculation.	At the supplied costs, five customers yield \$90,000 rather than the \$120,000 goal. The six-customer plan has no margin for one fewer buyer under those assumptions.
Conditional \$470,000 and \$430,000 initial-payment limits, calculated later in the exchange.	These show how cash timing constrains upfront payment. They apply only to the modeled period and require recalculation if terms change.

What Survived the Examination

The first response reproduced the main calculations. Their agreement does not verify the fictional revenue, customer behavior or management assumptions. The largest-customer-loss result remains conditional, and neither a retained customer nor a workable early payment schedule establishes the complete purchase case.

The following section links each reported earlier interpretation to the objection, the correction and its effect on the next step. This is an explanatory account based on the supplied report, not a complete raw transcript or proof that every issue was resolved.

[Follow the four documented corrections](#) • [Review scope and limits](#)

Four Corrections and Why They Matter

Each entry preserves the correction sequence described in the original report. The reason for the correction matters as much as its final wording.

1. Seller Questions Consume the Review Allowance

Earlier interpretation: seller questions cost nothing and use no budgeted time. **Challenge:** preliminary contact and records work use the owner's limited hours. **Correction:** the examiner accepted that this work belongs inside the shared allowance; no monetary cost was supplied. **Effect:** Day 1 includes preliminary questions, and no extra week is silently added.

2. One Rejected Payment Proposal Does Not End Every Route

Earlier interpretation: rejecting the proposed deferred payment ends the acquisition path. **Challenge:** other prices or payment arrangements may exist. **Correction:** the examiner accepted that alternatives remain possible, each requiring a new cash calculation. **Effect:** ask what structures the seller would consider without assuming any is available or affordable.

3. The Two Tests Conflict at Their Planned Hours

Earlier interpretation: the tests cannot occur in the same weeks. **Challenge:** the actual constraint is six hours plus six hours against an eight-hour limit. **Correction:** they cannot overlap at the specified hours; smaller versions remain untested. **Effect:** sequence the tests or reassess reduced scopes without assuming the original work fits.

4. Compare Immediate Tests With Immediate Tests

Earlier interpretation: expansion testing is cheaper than acquisition. **Challenge:** the immediate acquisition review costs up to \$2,000, expansion testing up to \$8,000, and buying later is a separate commitment. **Correction:** separate those decisions. **Effect:** compare the learning and costs of each next step without treating review approval as purchase approval.

WHAT THESE REPAIRS CHANGE TOGETHER

The next action remains bounded by shared time and money. It keeps alternative terms and expansion available, and separates learning enough to continue from establishing enough to buy. The corrections improve that distinction; they do not establish seller agreement or feasibility.

[See the resulting action plan](#) • [See continuation rules](#) • [Remaining limits](#)

Review Scope and Limits

The reported exchange improved interpretations and added calculations and questions. It does not establish that all requirements for the purchase can be met.

The materials described in the original comparison include the independent-examination input, first response, response to the Spectrum exploration, and a later response addressing ten corrections. The Spectrum response followed the first examination and is not part of its independence.

QUALIFICATION RETAINED	WHY IT MATTERS
Customer-loss figures hold remaining inputs unchanged.	Replacement sales or different costs could change the result. Customer retention does not establish every cost and transition assumption.
Financial evidence needs reconciliation.	Bank records must be examined alongside revenue, expense and accounting records.
A relationship-only purchase is not automatically safer.	It may concentrate exposure in one relationship. Transfer consent depends on terms not supplied.
A prepaid reservation is not automatically a stronger test.	Its price, duration, refund terms and delivery obligations are needed before comparing it with a service trial.
Seller-contact ordering is a scheduling choice.	An early request may overlap waiting with records work; it does not prove seller information is more important or add an unbudgeted preliminary stage.

The source report expressly does not demonstrate a single-model independent reconstruction or a controlled BEFORE/AFTER product test. Clearer presentation is not evidence of improved decision outcomes. The business case and its source extracts remain fictional.

Where the Inputs Come From

All business figures and documents described below were created for the fictional example. These entries make the illustration checkable; they are not evidence from a real company.

S1 / Your Starting Situation

You own a service business and have \$900,000 available. The goal is \$120,000 additional annual operating profit by the end of year 2, before financing and tax. Retain \$300,000 cash throughout takeover. All additional work at every stage must fit within eight hours weekly.

The supplied limits for a purchase investigation, if undertaken, are two weeks, \$2,000 and six hours weekly, including preliminary seller contact and your own records review from Day 1. Review on Day 14 or sooner when the requested materials arrive. Pause paid work if essential terms and records remain unavailable. No choice between investigating the purchase and testing expansion is supplied.

S2 / Seller Annual Summary

Annual revenue is \$2,000,000; operating expenses are \$1,680,000; earnings are \$320,000. The seller performs management and customer work without a salary in those expenses. Personal withdrawals sit outside the expense total. Proposed total price is \$650,000, originally all payable at closing.

The adjusted \$174,000 calculation represents a full year after takeover settles. The first-year transition remains unmodeled.

S3 / Operating and Customer Notes

Replacement management is quoted at \$110,000 annually, including employment costs. Proposed increases for two staff members total \$24,000 annually. Additional systems cost \$12,000 annually.

The largest customer provides \$240,000 annual revenue; assumed avoidable direct costs are 40%. An employee included in the pay proposal manages that relationship. Continued employee service and customer purchases are unconfirmed.

SOURCE STATUS

"Supplied" identifies where an input came from. "Estimate" describes its uncertainty. An input can be both. Recomputing a result verifies the arithmetic performed here, not the business assumption.

[Profit calculation](#) • [Staffing and customer dependencies](#) • [Continue to S4-S5](#)

Payment and Expansion Inputs

These proposals define the calculations, not agreed commercial terms or demonstrated market demand.

S4 / Takeover and Payment Proposal

Fees are \$25,000 and upfront setup is \$45,000. The buyer proposes \$450,000 at completion and \$200,000 paid later. The seller has not agreed.

The proposed deferred amount is repaid at \$50,000 annually for four years, plus 8% annual interest on the opening debt for each year. Payments start at the end of year 1. This is a fictional buyer proposal, not a seller offer.

SUPPLIED PAYMENT INPUT	VALUE
Total proposed purchase price	\$650,000
Proposed initial payment	\$450,000
Amount deferred	\$200,000
Separate fees and setup	\$70,000
Annual principal repayment	\$50,000
Interest on opening annual debt	8%

S5 / Expansion Test Proposal

The annual plan assumes six customers at \$50,000 revenue each, 60% of revenue remaining after direct service costs, and \$60,000 additional annual support costs.

The proposed six-week test approaches 20 qualified prospects with a maximum \$8,000 spend and six owner hours weekly. Two paid service trials delivered within tested cost and capacity assumptions support considering a further limited test.

KEEP THE TEST AND THE FULL PLAN SEPARATE

The \$8,000 funds the test, not the complete expansion. The annual-contract assumption does not set a trial price. Funding and capacity for six annual customers, and the timetable to achieve them, are not established.

[Payment calculation](#) • [Expansion test](#) • [Continue to S6-S7](#)

Cash Timing and the Extra-Sales Estimate

S6 / Expected Cash Coming In and Going Out

The existing business contributes an estimated \$20,000 net cash in each of months 1-4 after its operating payments, tax amounts set aside and routine equipment purchases. This assumes adequate ongoing management. No additional personal withdrawals are assumed.

The acquired business's net operating cash is -\$80,000, -\$20,000, +\$15,000 and +\$18,000 over those months. It includes receipts, payroll, suppliers and recurring staffing-plan costs. It excludes separately listed upfront fees and setup, purchase payments, financing, income tax and further capital spending.

The month-1 deficit reflects receipt timing, not an additional annual-profit expense. The simplified model assumes negative net movements precede later receipts, with no lower balance inside the month. A real examination needs dated flows. The additional scenario delays one \$40,000 month-1 receipt to month 3 without losing revenue.

Prospect overlap is unknown between the 20 expansion prospects in S5 and 25 organizations in S7. Match the organizations before adding forecasts or treating the routes as independent. No combined forecast is used.

S7 / Fictional Conversation Behind the Estimate

SOURCE	TEXT / CONTENT
Earlier AI suggestion	"Additional services sold to the competitor's customers could add 20% of its \$2 million annual revenue. I have no customer test to support that estimate."
Buyer's later forecast note	"I have included \$400,000 in additional annual revenue from selling those services after the purchase."
Supporting candidate list	Twenty-five organizations are listed. Nine already buy the same proposed service from the buyer. Eight additional annual buyers at \$50,000 each are proposed; no buyer interviews or purchases are documented.

[Return to cash timing](#) • [Return to extra-sales finding](#) • [Return to the decision record](#)

A Seller Request You Can Send

Copy the message below into an email and add your name. Review it for your circumstances before sending. It requests information; it does not offer a price or commit you to buy.

Subject: Information for an initial review of your business

Hello,

I am considering whether to take further steps toward buying your business. Please confirm which of the following information you can make available during a two-week initial review, and when:

- 1. Price and payment terms.** The total price you would consider, acceptable initial and later payments, and any interest, payment dates or consequences of missed payments. Please distinguish terms you would accept from terms still open for discussion.
- 2. Financial records.** Monthly profit-and-loss statements and bank records for the last 24 months, plus tax returns for the corresponding years. Please identify personal withdrawals, unpaid work you perform and recent changes in revenue or costs.
- 3. Customers.** Revenue by customer, recent customer losses, relevant agreements, and who manages and serves the largest accounts. Please identify any terms that could affect those relationships after a sale.
- 4. Staff and your responsibilities.** Your current duties, staff roles and compensation, and which duties a replacement manager would cover. Please distinguish confirmed arrangements from plans or estimates.
- 5. Cash flows and obligations.** Expected dates and amounts for customer receipts, payroll, suppliers, setup costs and other obligations a buyer would take on. Please list purchase payments separately from operating costs.
- 6. Timing and reason for selling.** Your expected timetable, any firm deadline or other active buyers, your reason for selling, and any work or competing activity you intend to continue after a sale.

Before sensitive records are exchanged, let us agree how they will be shared, protected and reviewed. If an item is unavailable, please say what is missing and when it could be provided.

Thank you.

Basis: dossier pages 5 and 20. Follow-up questions and professional fees remain within the agreed review allowance.

Track Profit, Customers and Staffing

Blank working form for real use. Do not treat receipt of a document as verification. Record what the evidence supports, its source and date, and whether it is supplied, reconciled, estimated or still unresolved.

Review date / person maintaining this record

1. Operating profit

Can reconciled earnings and recurring costs support \$120,000 additional annual operating profit by year two, before financing and tax?

Evidence received / source and date / status

Unresolved point / next request / responsible person / due date

2. Customer retention

What supports continued customer purchases, especially the largest account? Employee retention and customer retention are separate questions.

Evidence received / source and date / status

Unresolved point / next request / responsible person / due date

3. Workload and management

Who will perform every seller duty, at what cost, and can investigation, testing and operation each stay within eight added owner hours weekly?

Evidence received / source and date / status

Unresolved point / next request / responsible person / due date

Track Terms and Cash

Blank working form for real use. Do not treat receipt of a document as verification. Record what the evidence supports, its source and date, and whether it is supplied, reconciled, estimated or still unresolved.

Review date / person maintaining this record

4. Actual seller terms

Which price and payment terms has the seller accepted? The \$450,000 initial payment and \$200,000 deferral are unagreed buyer proposals.

Evidence received / source and date / status

Unresolved point / next request / responsible person / due date

5. Cash throughout takeover

Do dated flows preserve \$300,000 continuously, including within-month lows, later payments, tax and further capital needs?

Evidence received / source and date / status

Unresolved point / next request / responsible person / due date

6. Effect on your existing business

What changes through shared customers, costs or diverted owner attention? The assumed \$20,000 monthly cash contribution requires adequate management.

Evidence received / source and date / status

Unresolved point / next request / responsible person / due date

Decide What Happens at Day 14

Use on Day 14 from the first seller contact or records work, or sooner if important information arrives. Blank fields are not approvals. The illustrative allowance is \$2,000 total and six owner hours per week for two weeks.

Start date / review date / person making the decision

Actual total spending / owner hours in week 1 / owner hours in week 2

What did you learn? Cite the records or other evidence that changed your view.

Profit, cash and workload: what is supported, what fails, and what remains unresolved?

IF ESSENTIAL TERMS OR RECORDS ARE STILL MISSING

Pause paid acquisition work and decide whether to test expansion. A rejected payment proposal does not rule out every structure. Different profit, cash and workload failures need different remedies.

Your choice and reasons: stop / pause / authorize a defined extension or deeper review / test expansion

If more work is authorized: exact tasks, responsible person, new spending/time limits and authorization

Next review date / evidence that would change the choice

No purchase is authorized by this worksheet. Six hours for each original test would total twelve, above the eight-hour overall limit. Sequence the tests or reassess reduced scopes. See dossier pages 21-23.