

DECISION AT A GLANCE

Should You Buy the Competitor or Expand Your Business?

Fictional case. All business figures are illustrative. "You" are the owner considering the purchase. "The seller" owns the competitor. S0 to S7 identify case inputs; O references identify outside sources.

The Situation

You own a company that sells a service to other businesses. You want at least \$120,000 more operating profit a year by the end of year two. Operating profit means revenue less recurring operating costs, before financing costs and income tax. You have \$900,000 of cash, and you set two limits. At least \$300,000 of cash must stay available throughout any takeover. The extra work must take at most eight hours of your time a week. You see two routes to the goal.

COMPARISON	BUY THE COMPETITOR	EXPAND YOUR EXISTING SERVICE
What the route involves	You buy a smaller competitor that has \$2,000,000 of yearly revenue. The seller asks \$650,000, all paid at closing. You have proposed \$450,000 at closing and \$200,000 over four years. The seller has not agreed.	You sell your existing service to six more customers at \$50,000 a year each, and you add \$60,000 a year of support cost.
Yearly profit on the supplied figures	\$174,000 , which is \$54,000 above the goal. The figure describes a settled year: a full year after the takeover, when the business runs at its normal level.	\$120,000 , which is exactly the goal.
Main exposure	At 60% contribution, a 4.5% revenue loss removes the \$54,000 margin. O1 uses 5% to 15% loss scenarios for insurance client books; fit here is unknown. One late \$40,000 receipt also breaches your cash minimum.	Five customers produce \$90,000. No purchases are documented. Trial delivery, full funding and the timetable to six customers remain to be established.
First test	Two weeks; up to \$2,000; six owner hours weekly.	Six weeks; up to \$8,000; six owner hours weekly. Approach 20 prospects; at least two must buy and receive trials within the tested cost and time.

FINDING / RECOMMENDATION

Before Day 1, answer the seven questions on page 5. Start by spending up to two weeks investigating whether buying the competitor is worth pursuing further. During those two weeks, request the seller's proposed payment terms, summary financial records and a description of the work the seller currently performs. Use that information to assess whether the purchase could meet your profit goal, cash minimum and weekly time limit. Spend no more than \$2,000 and six hours of your time each week. Review what you have learned by Day 14, or sooner if the requested information arrives, and decide whether to fund further investigation, seek different terms or turn to testing expansion. This initial investigation does not commit you to buying the business.

WHAT COULD WEAKEN THIS FINDING

Reviewing the acquisition first assumes the seller can provide useful initial answers within two weeks. A ready service offer, 20 reachable prospects and a workable trial-delivery plan strengthen the case for testing expansion first, especially if seller information will be delayed or restricted. Answer the seven questions on page 5 before committing the allowance; records work counts within it. If essential seller terms or records are still missing at Day 14, pause paid acquisition work and consider the expansion test.

Seller information may be restricted. The cited advisers recommend staged disclosure, with sensitive customer and employee details released later (O2, O3). These are process recommendations; agree the actual disclosure schedule with the seller. Use the anonymized first-stage request on page 19.

What the Figures Establish

Based on the figures provided, buying the competitor would produce an estimated \$174,000 in annual operating profit, and expansion would produce \$120,000 if you win and serve six additional customers at the assumed price and cost. Before committing to either option, you need evidence that those profits are achievable by your deadline while staying within your cash and weekly time limits. The investigation and tests below are designed to obtain that evidence. Confirm the change in total profit across both businesses. The \$400,000 of extra sales is excluded because it traces to an unsupported AI suggestion (S7).

Confirm the meaning of the year-two deadline on page 14. Read next: the three requirements (page 2), the decision map (page 3) and your action plan (page 18). The tests cannot overlap at six hours each within your eight-hour limit. Any further review, purchase or expansion spending needs its own decision and limits.

DECISION BRIEF CONTINUED

Your Three Requirements Must Work Together

A purchase must meet the profit, cash and time requirements together, using one consistent operating plan and the deadline you confirm. The first review can establish whether further work is worth funding. Receiving records does not establish that a requirement is met.

LINE 1 Profit after all related changes

Additional operating profit across both businesses must be at least \$120,000 a year on the agreed deadline basis. Start with reconciled seller earnings. Deduct lost customer contribution, the full manager cost, staff pay increases, systems costs and any other recurring costs. Include the evidenced change in your existing business's profit. Count each adjustment once.

SIMPLIFIED CALCULATION USING THE SUPPLIED COST ASSUMPTIONS

Seller earnings - lost customer contribution - manager cost - \$24,000 - \$12,000 = acquired-business operating profit.

At the \$110,000 manager cost, seller earnings less lost contribution must be at least \$266,000, before any other cost or existing-business change.

The original \$54,000 margin is shared. A \$54,000 earnings reduction and a \$90,000 revenue loss at 60% contribution leave \$66,000 profit. Another \$10,000 manager cost leaves \$56,000. These changes cannot each receive a separate pass. The 60% contribution is supplied for the largest customer only; apply other customer margins only when supported.

LINE 2 Cash throughout the takeover

MODELED SCENARIO	MAXIMUM PAYMENT AT CLOSING
Base timing only	\$470,000
One \$40,000 receipt delayed from month 1 to month 3	\$430,000
Largest customer lost at closing, using the stated illustration	\$446,000
Customer loss and the separate late receipt together	\$406,000

These are four-month scenario limits, not proof of continuous affordability. Before approving a purchase, use dated receipts and payments through the agreed takeover end date, including tax, equipment spending and later debt payments. Record which downside scenarios you require the plan to withstand. If that choice or the dated flows are unresolved, cash remains unknown.

LINE 3 Your time at every stage

A duty list must assign the seller's work to the manager, staff and you. Your added work must stay within eight hours every week, including transition and operation. Any added staffing cost goes back into Line 1 and the cash model. The review itself remains limited to six hours weekly.

CURRENT RESULT

All three requirements remain unconfirmed. The figures are fictional estimates, the seller has not accepted your proposal, and the deadline interpretation is unresolved. Day 1 begins with seller contact or records work under this report's scheduling rule; S1 does not specify the starting event.

DECISION MAP

Choose the Next Test and Interpret Its Result

NEXT STEP	WHY IT MAY DESERVE FIRST ATTENTION	WHAT IT CAN ESTABLISH
Acquisition review Two weeks, up to \$2,000, six owner hours weekly.	Start here because useful seller terms and records can establish whether further investigation is worthwhile, at lower cost and in less time.	The seller's proposed terms, reported earnings, handover offer and duties. Verification generally requires a later stage.
Expansion test Six weeks, up to \$8,000, six owner hours weekly.	A defined offer and 20 reachable prospects favor expansion first. Consider delivery readiness and the usefulness of each test's likely answers.	Actual willingness to pay for a trial, and whether the trial can be delivered within cost and time limits. Six annual contracts remain unproven.

The tests cannot overlap at their planned owner hours: six plus six exceeds eight. In sequence, they take eight weeks and cost at most \$10,000 before separately authorized later work. Smaller overlapping tests have not been designed or validated.

At Day 14 of the acquisition review

WHAT YOU HAVE LEARNED	WHAT YOU DO NEXT
Usable first-stage answers have arrived; no supported failure has been found; important gaps have a feasible way to be resolved.	Consider a separately scoped next stage. Record each unknown, why resolving it can change the choice, its cost and time, and who will resolve it. An unknown is never recorded as a pass.
Supported information shows that profit, cash or time fails.	Stop on those terms or obtain changed terms and recompute all affected requirements. Deferring price cannot repair operating profit.
Essential terms or first-stage records remain missing.	Pause paid acquisition work. Decide whether to authorize the expansion test. Refusal of one payment proposal leaves other structures possible, without establishing that any is available.

At the end of the expansion test

Two or more paid trials delivered within the tested cost and available-time assumptions support considering a further limited test. Fewer than two purchases, failed delivery, or excessive cost or hours calls for examining the result before more spending. Record reach and understanding of the offer; missing outreach does not establish rejection.

Use three statuses consistently

Supported: the specified requirement is supported for the stated period and assumptions. **Failed:** supported information breaches a requirement. **Unknown:** information is missing, unreconciled or inadequate. First-stage seller descriptions alone cannot establish future retention, continuous cash or the full workload.

No result on this page authorizes a purchase, automatically extends the review, or changes your original goal. The worksheet is on page 23; continuation and failure responses are on page 24.

Start with the seven questions on page 5. Record the reasons for the selected order. Retrieving records uses the review allowance. The changes that could reverse the recommendation are summarized on page 1.

ROUTE COMPARISON

The Two Routes Side by Side

Page 1 compares the two tests. This page compares the two full routes against each of your objectives. "Not supplied" marks a gap in the case.

OBJECTIVE OR MEASURE	BUY THE COMPETITOR	EXPAND YOUR EXISTING SERVICE
Settled-year operating profit at plan	\$174,000	\$120,000 with six annual customers
Margin above the \$120,000 goal	\$54,000	\$0
Supplied adverse case	\$30,000 if the largest customer leaves (S3)	\$90,000 with five customers (S5)
Outside benchmark case	\$114,000 to a \$6,000 loss under 5% to 15% attrition (O1)	No benchmark used. Your own sales record for the nine existing buyers is the closest evidence (page 5, question 3).
Cash committed	\$650,000 price plus \$70,000 of fees and setup, plus \$40,000 of interest over four years	Not supplied. The plan adds \$60,000 a year of support cost (S5).
Cash minimum of \$300,000	Passes base timing only, with a \$320,000 low. Fails with one late receipt, with a \$280,000 low.	Not modeled. S1 attaches the cash minimum to a takeover.
Your added weekly hours	Not established. The result depends on the manager's duties.	Not established. The expansion test alone uses six hours a week.
Price as a multiple	2.0 times the seller's stated earnings. 3.7 times the \$174,000 estimate.	No purchase price applies.
Obligations that are costly to reverse	Staff, customers, a \$200,000 deferred amount, and a manager's employment.	Support staff hired for \$60,000 a year.
Time to the goal	Depends on the closing date and the length of the handover period. The case supplies neither.	Depends on the time needed to win and serve six annual customers. The case supplies no timetable.
Evidence behind the plan figures	Supplied estimates. No record confirms them.	Supplied estimates. The case documents no purchase.
Next test	Two weeks, at most \$2,000, twelve of your hours.	Six weeks, at most \$8,000, thirty-six of your hours.

COMPARE THE COST AND VALUE OF EACH TEST

Compare a test with a test: the acquisition review costs up to \$2,000; expansion testing up to \$8,000. Also compare learning: seller information versus paid buyer behavior and delivery. Cost alone does not establish the better order.

Other Approaches the Goal Allows

APPROACH	EFFECT	STATUS
A lender finances part of the price	A loan lowers the cash paid at closing and adds loan payments.	Untested. Obtain lender terms and model dated debt payments; no lender ratio is assumed.
Buy the customer relationships only	The prior dossier names this idea without explanation (R1). This report reads the idea as a purchase of customer contracts without staff or systems.	No terms supplied. The purchase could concentrate the exposure in the transfer of each relationship.
Referral or subcontracting arrangement with the seller	The arrangement could add customers or capacity without a purchase.	No such arrangement is recorded as offered.
Wait	Waiting keeps your cash and your time.	The profit goal stays unmet.

BEFORE DAY 1

Seven Questions Only You Can Answer

#	QUESTION	WHAT THE ANSWER CHANGES
1	Is a defined service offer ready to sell, with a price and a delivery scope?	A yes to both favors expansion first; compare readiness and likely learning, not readiness alone.
2	Do you hold a list of 20 suitable prospects that you can reach within six weeks?	See question 1.
3	What price and what contribution do the nine existing buyers of the service produce (S7)? Is that service the same service as the S5 expansion service?	The answer is a zero-fee check on the \$50,000 price and the 60% contribution in S5. S5 and S7 both use \$50,000, and the case leaves the match between the two services unstated.
4	What is your existing business's annual operating profit, and which of your customers also buy from the seller's business?	The goal is \$120,000 of additional profit across both businesses. Shared customers could reduce the gain from a purchase.
5	Will the \$20,000 a month from your existing business (S6) be available to pay the seller?	The answer affects the seller-payment comparison on page 11. Later cash remains to be established.
6	Which reading of the deadline applies: a \$120,000 yearly rate reached by month 24, or \$120,000 earned during months 13 to 24?	The second reading needs a monthly profit schedule, without an automatic month-12 start (page 14).
7	On what date does "takeover" end for the \$300,000 cash minimum?	The first \$66,000 seller payment falls at month 12, outside the four-month cash model.

Start with answers you already know. Some questions need records or a choice by you. Records work counts toward the six-hour weekly review allowance; no extra preliminary week is added.

Every Open Item, Sorted by Who Can Resolve the Item

YOU KNOW THE ANSWER	THE SELLER KNOWS THE ANSWER	A TEST OR A LATER STAGE IS NEEDED
• The seven questions above.	• Acceptable price and payment structure. • Asset sale or share sale. • Whether receivables and working capital are included. • Length and terms of a handover period. • The seller's weekly duties and hours. • Summary financials for 24 months. • Customer concentration without names. • Reason for selling, deadline, other buyers. • Work or competing activity after a sale.	• Whether the largest customer keeps buying after a sale. • Whether the employee who manages that customer stays. • Reconciled earnings (after a letter of intent). • Named customers and contract terms (after a letter of intent). • Demand for the expansion service (expansion test). • Demand for the extra sales (separate customer questions). • Cash balances inside each month. • Cash movements in months 5 to 12.

The sort identifies where to ask. Owner answers may require records work; seller responses may be restricted. Verification and customer behavior require later work or a test.

EVIDENCE / PROFIT

Profit After the Seller Leaves

- FINDING**

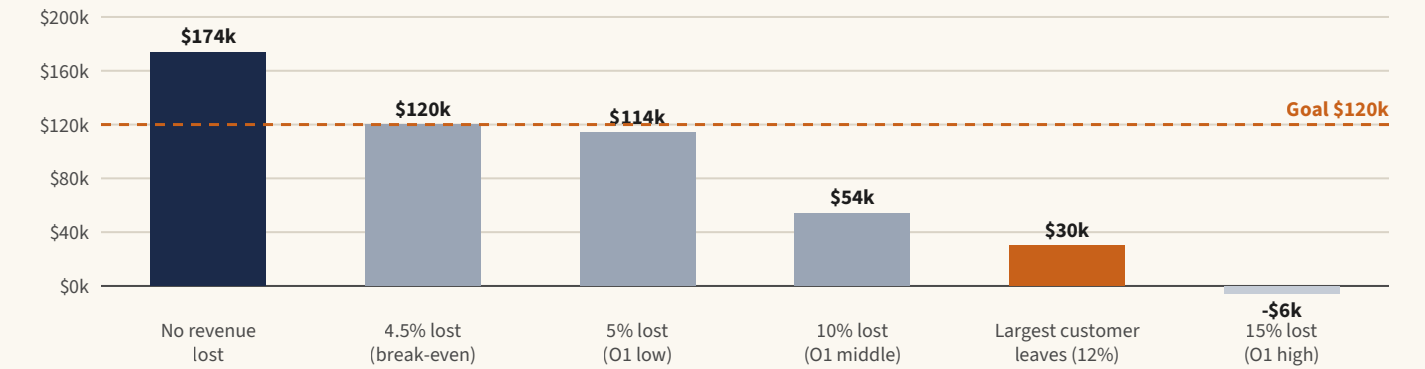
The settled-year operating profit estimate is \$174,000, which is \$54,000 above the \$120,000 goal. The estimate assumes that the acquired business keeps all \$2,000,000 of revenue.
- WHAT COULD WEAKEN THIS FINDING**

Unverified earnings, incomplete manager costs and effects on your existing business could change the gain. At 60% contribution, a \$90,000 revenue loss removes the \$54,000 surplus if other inputs stay unchanged. O1 uses 5% to 15% insurance-book loss scenarios; applying that range here is illustrative, not a forecast.

ANNUAL OPERATING-PROFIT BRIDGE	AMOUNT	SOURCE
Revenue of \$2,000,000 less operating expenses of \$1,680,000	\$320,000	S2. The expenses include no salary for the seller's work.
Replacement manager, including employment costs	-\$110,000	S3, supplied estimate
Proposed pay increases for two staff members	-\$24,000	S3, supplied estimate
Additional recurring systems cost	-\$12,000	S3, supplied estimate
Settled-year estimate before financing and tax	\$174,000	Computed

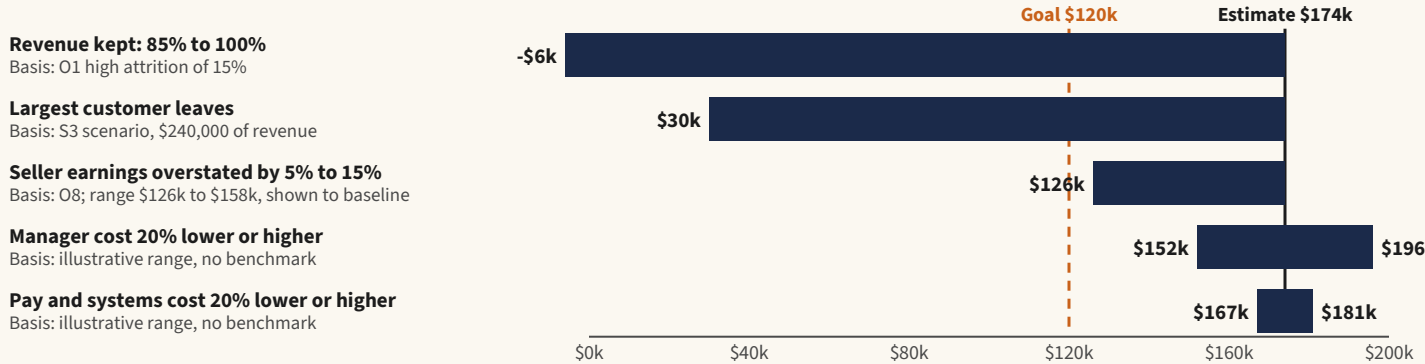
Three ratios. The largest customer is 12% of revenue, yet its \$144,000 contribution is 83% of the \$174,000 profit estimate and 120% of the goal. Livmo describes 10% to 20% concentration as manageable in software deals (O4), which does not make this exposure acceptable. A \$90,000 loss erases the margin only at 60% contribution; other accounts may differ.

Profit at Each Level of Lost Revenue



Each bar applies the supplied 60% contribution to the lost revenue and holds every other supplied figure unchanged. Three limits apply. O1 describes insurance-agency client books. S3 supplies the 60% contribution for the largest customer only. New sales could offset lost revenue. The bars are scenarios, and the report assigns no probability to any bar.

Which Input Moves the Estimate Most



Each bar changes one input only. The ranges do not establish probability or an independent pass rule. Combine earnings, customer contribution and cost changes under Line 1. O8 concerns much larger businesses. Inputs: S2, S3, O1, O8.

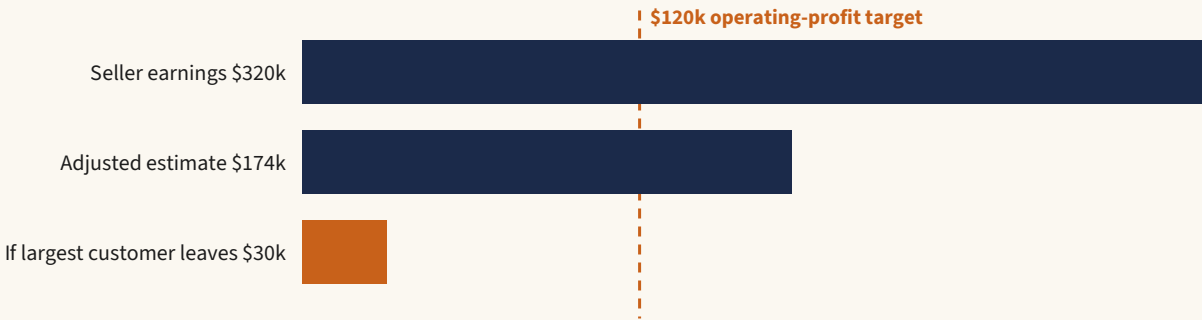
FULL ANALYSIS / PROFIT / CONTINUED

How Customer Loss Changes Profit

FINDING
Losing the largest customer reduces estimated annual profit from \$174,000 to \$30,000 under the supplied cost assumptions.

WHAT COULD WEAKEN THIS FINDING
The \$144,000 reduction assumes 40% of that customer's revenue is avoidable cost and all other costs continue. Different cost savings, replacement sales or transition costs would change the figure. Neither the customer nor the employee has said they will leave.

Continues the profit section on page 6.



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.

HOW REVENUE LOSS CAN ELIMINATE THE \$54,000 PROFIT SURPLUS
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.

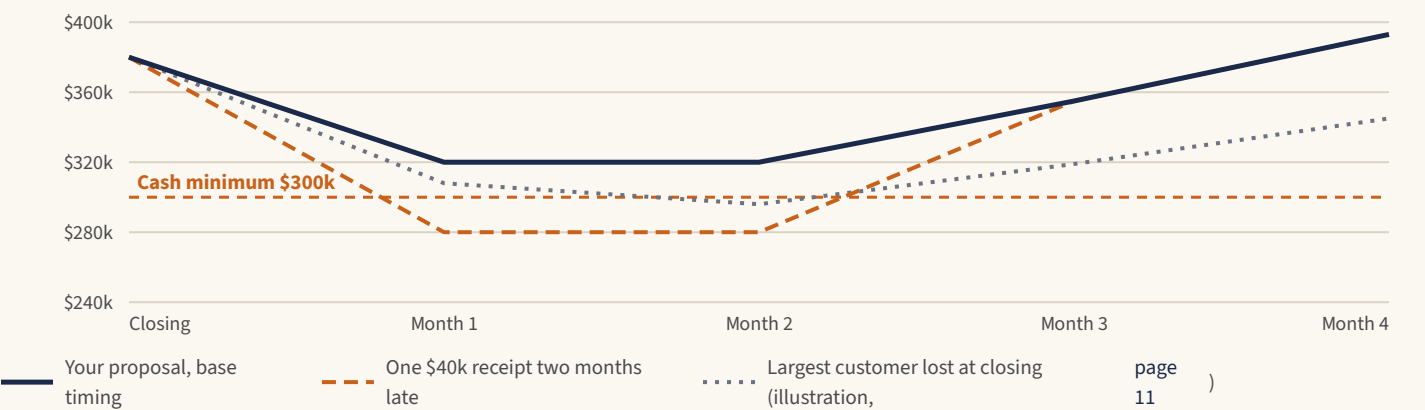
Inputs: S2 and S3. The chart compares supplied earnings, the adjusted estimate and the customer-loss scenario. See page 6.

EVIDENCE / CASH

Will Cash Stay Above \$300,000?

FINDING
Your proposed terms keep the lowest modeled month-end balance at \$320,000, which is \$20,000 above the cash minimum. The seller's original terms give a lowest modeled month-end balance of \$120,000 on the same basis.

WHAT COULD WEAKEN THIS FINDING
One \$40,000 receipt arriving two months late lowers the low point under your proposal to \$280,000. The seller has agreed to no deferred terms (S4). The model shows closing and four month-ends only; within-month lows and later obligations could require more cash.



CASH MOVEMENT (\$000S)	CLOSE	M1	M2	M3	M4
Opening balance	900	380	320	320	355
Payment at closing of 450, fees of 25, setup of 45 (S4)	-520	0	0	0	0
Existing business net cash (S6)	0	+20	+20	+20	+20
Acquired business net operating cash (S6)	0	-80	-20	+15	+18
Month-end balance, your proposal, base timing	380	320	320	355	393
Month-end balance, your proposal, late receipt	380	280	280	355	393
Month-end balance, seller's original terms, base timing	180	120	120	155	193

How the Limits on the Payment at Closing Are Derived

The payment at closing must leave enough cash for the largest cumulative operating draw that occurs before later receipts refill cash. On base timing the combined monthly movements are -\$60,000, \$0, +\$35,000 and +\$38,000. Cash therefore sits \$60,000 below the closing balance at the ends of months 1 and 2. Moving one \$40,000 receipt from month 1 to month 3 raises the largest draw to \$100,000.

TIMING CASE	CALCULATION	LARGEST PAYMENT AT
Base timing	\$900,000 - \$70,000 fees and setup - \$60,000 largest draw - \$300,000 cash minimum	\$470,000
One late receipt	\$900,000 - \$70,000 fees and setup - \$100,000 largest draw - \$300,000 cash minimum	\$430,000

Your \$450,000 proposal fits base timing and exceeds the late-receipt limit by \$20,000. A lower payment at closing raises the deferred amount, so recalculate later repayments (page 11). The month-1 outflow of \$80,000 already includes operating flows (S6); the \$45,000 setup cost is separate. The late receipt changes collection timing and leaves revenue unchanged.

OUTSIDE THE CASH MODEL

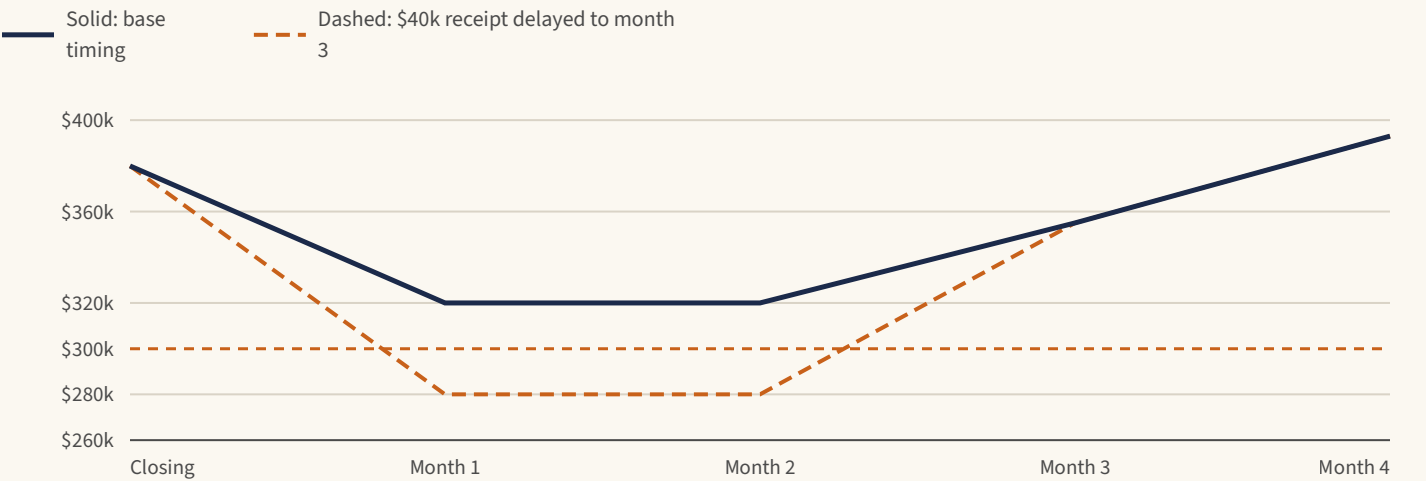
Balances inside each month, months 5 to 12, taxes of the acquired business, further capital spending, and every later seller payment. The limits above therefore leave overall affordability unestablished. Inputs: S1, S4, S6.

FULL ANALYSIS / CASH TIMING

How One Late Receipt Changes Cash

FINDING
Your 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 reduces the modeled low to \$280,000, breaching your cash minimum. Actual payment dates may change that low. Seller acceptance, lower within-month balances and later cash needs remain unresolved. Continuous compliance is not established.



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 to 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.

Balances: [page 8](#). Cash-draw explanation: [page 10](#).

FULL ANALYSIS / CHECK THE CASH REASONING

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

- FINDING**

The base model requires \$60,000 for the largest cumulative operating cash draw, leaving a \$470,000 maximum closing payment after fees, setup and the reserve.
- WHAT COULD WEAKEN THIS FINDING**

The arithmetic depends on the supplied timing and continuing cash from your existing business. Lower within-month balances, later seller payments, taxes or additional spending could reduce the limit. The four-month net gain cannot substitute for the earlier 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. Balances page 8; payments page 11.

EVIDENCE / COMBINED CASE AND SELLER PAYMENTS

When Two Risks Arrive Together

FINDING
Combining customer loss at closing with the delayed receipt reduces the modeled maximum closing payment to \$406,000.

WHAT COULD WEAKEN THIS FINDING
This illustration assumes even monthly customer billing, immediate avoidable-cost savings and a separate collectible late receipt. Different timing or slower cost savings changes the limit. Counting canceled sales again as a late receipt would overstate the cash loss.

FINDING
Deferring \$200,000 preserves early cash but creates four annual principal and interest payments. The first payment is \$66,000.

WHAT COULD WEAKEN THIS FINDING
Settled-year profit does not establish first-year cash available for repayment. Transition results and months 5 to 12 are missing. Adding twelve months of existing-business cash extrapolates beyond S6 and mixes cash after tax set-asides with profit before tax.

This table combines the late receipt with a customer-loss illustration. The \$430,000 limit protects only the late-receipt scenario; the combined illustration requires \$406,000. Neither establishes cash throughout takeover.

MONTH-END BALANCE (\$000S)	CLOSE	M1	M2	M3	M4	LARGEST PAYMENT AT CLOSING
Base timing (S6)	380	320	320	355	393	\$470,000
One \$40,000 receipt two months late (S6)	380	280	280	355	393	\$430,000
Largest customer stops buying at closing (illustration)	380	308	296	319	345	\$446,000
Both events together (illustration)	380	268	256	319	345	\$406,000

Illustration assumptions: the largest customer is billed evenly at \$20,000 monthly; 40% avoidable costs stop at once, reducing cash by \$12,000 monthly. The delayed \$40,000 is a separate collectible receipt, not canceled sales counted twice. Neither the customer nor the employee has said they will leave (S3).

What the Later Payments Require

Your proposal repays the \$200,000 deferred amount over four years: \$50,000 of principal each year plus 8% interest on the opening balance, first paid at the end of year one (S4). Total interest is \$40,000. Principal payments use cash and leave operating profit unchanged.

YEAR	OPENING BALANCE	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

Settled-Year Comparisons with the First Seller Payment

These ratios divide settled-year profit by the \$66,000 first payment. They are illustrative, not first-year cash coverage or lender approval. Basis A uses acquired profit only. Basis B adds \$240,000, assuming the existing business's \$20,000 monthly cash continues for twelve months; S6 supplies only four months.

CASE	ACQUIRED-BUSINESS PROFIT	BASIS A COVERAGE	BASIS B COVERAGE
Settled-year estimate	\$174,000	2.6 times	6.3 times
5% revenue attrition (O1 low)	\$114,000	1.7 times	5.4 times
10% revenue attrition (O1 middle)	\$54,000	0.8 times	4.5 times
Largest customer leaves (S3 scenario)	\$30,000	0.45 times	4.1 times

Year-one payment capacity remains unknown: transition profit and months 5 to 12 are missing. Basis B also mixes existing-business cash after tax set-asides with acquired operating profit before tax. Neither ratio models equipment spending or dated payments.

FULL ANALYSIS / DEPENDENCIES

What the Findings Mean Together

- FINDING**
Staffing, retained customer revenue, seller payments and owner time must be assessed together. A change in one can alter the other requirements.
- WHAT COULD WEAKEN THIS FINDING**
The connections identify exposures to investigate. They do not establish that the employee or customer will leave, that the manager cannot cover the duties, or that your existing business will weaken. Duty assignments, customer evidence and combined-business figures could change the assessment.

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.

EVIDENCE / DEAL TERMS

Terms That Move Part of a Risk to the Seller

FINDING

Agreed handover, retention, payment and working-capital terms can transfer some financial exposure to the seller or reduce early cash needs.

WHAT COULD WEAKEN THIS FINDING

No acceptance is established. Fees, enforceability, release terms and collectibility determine the benefit. A holdback may return cash without restoring operating profit, and seller financing adds later payments. Recompute all connected effects before treating a proposed term as protection.

Deal terms can allocate some financial exposure to the seller. The case records none of the terms below being raised, apart from your deferred-payment proposal. Possible terms are not accepted terms.

TERM	WHAT THE TERM DOES	REQUIREMENT SERVED	LIMIT
Documented handover period	Agree seller availability, customer introductions, duties and cost in writing. O1 varies attrition by transition quality; it does not establish a twelve-month minimum for this business.	Profit, your time	The seller's time may carry a fee. Attrition of 5% still leaves \$114,000, which is below the goal.
Holdback tied to the largest customer	O5 describes 10% to 15% held in escrow for 12 to 18 months: \$65,000 to \$97,500 on this price. Any buyer recovery depends on agreed loss and release terms.	Cash at risk	A holdback returns cash. Operating profit stays unchanged, so the profit goal still fails if the customer leaves.
Deferred amount with a retention condition	Negotiate whether customer loss changes the timing or amount owed. O5 discusses payment timing; any reduction in principal needs explicit agreement.	Cash, payment coverage	The seller may refuse. The condition needs legal drafting.
Receivables or working capital included in the sale	O10 describes sellers retaining receivables, with exceptions. S6 does not establish that structure. Included receivables help only if collectible and not already counted in the cash forecast.	Cash minimum	The seller may raise the price by the value included.
Stay agreement with the employee who manages the largest customer	The \$24,000 pay proposal already covers that employee (S3). A stay agreement would tie part of the increase to a period of continued employment.	Profit	The employee's intentions are unknown. Contact needs the seller's consent.
Lender finance for part of the price	A loan lowers the cash paid at closing.	Cash minimum	A loan adds payments. Availability is untested.

How Common Is a Deferred Amount?

A deferred amount is often called a seller note. Your \$200,000 proposal is 30.8% of the \$650,000 price. O11 repeats a survey frequency that was not independently verified here. No market frequency establishes this seller's acceptance. The price, interest and repayment dates remain proposals (S4).

HOW THE TERMS ENTER THE PLAN

Price and working-capital terms affect Line 2, cash. Handover, staffing and retention affect Line 1, profit, and Line 3, time. Recompute the connected effects rather than marking a term itself as a pass.

ANALYSIS OF THE DEADLINE

Two Readings of the Year Two Goal

FINDING
The year-two goal can mean an annual profit rate reached by month 24 or profit actually earned during months 13 to 24. The second reading requires a monthly profit schedule.

WHAT COULD WEAKEN THIS FINDING
Your intended meaning and starting date are unconfirmed. Missing closing dates, transition costs and monthly profit prevent establishing either route's deadline fit. A longer handover does not by itself prove that the goal is unattainable.

S1 asks for at least \$120,000 of additional annual operating profit by the end of the second year. Confirm what period the goal measures, and the date from which those two years begin. These choices belong to you.

READING	WHAT MUST BE DEMONSTRATED
A A yearly rate reached by month 24	A supportable annual operating-profit rate of at least \$120,000 by month 24, with the recurring costs and customer revenue needed to sustain it.
B Profit earned during months 13 to 24	The sum of additional operating profit actually forecast for those twelve months is at least \$120,000. Build monthly figures, including transition costs and the effect on the existing business.

Reading B does not automatically impose a month 12 deadline

Reaching a \$120,000 annual rate by month 12 and maintaining it throughout year two is one way to earn \$120,000 during year two. It is not the only possible path. A higher later rate can offset lower earlier profit; a transition loss can require more later profit.

For illustration only, the \$174,000 settled-year estimate equals \$14,500 a month if earned evenly. Nine months at that rate produce \$130,500 before any losses in the other three months. The case does not establish that this path is available. This example shows why a monthly schedule is necessary rather than assuming a fixed month-12 requirement.

Connect testing, closing and the handover

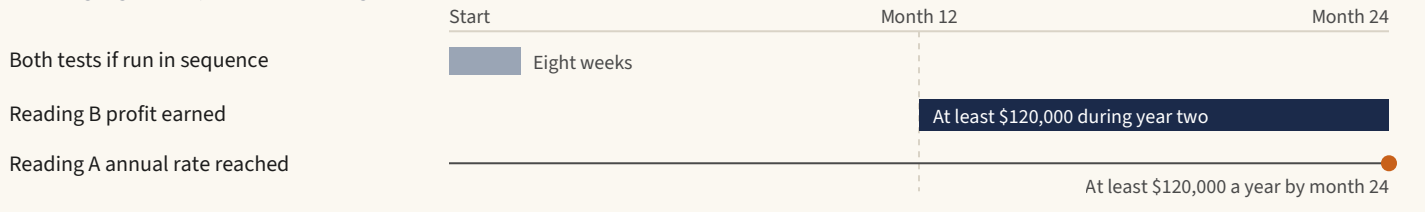
If both proposed tests run in sequence, they use eight weeks. The purchase would then require a closing period and a transition schedule, neither supplied. Seller support may continue while the business earns profit; the end of a handover and the start of earnings are different dates.

A longer handover could support retention and reduce your workload, but may add cost. The outside material does not establish a twelve-month minimum needed for 5% attrition in this business. There is therefore no supported basis to declare a long handover and Reading B automatically incompatible.

DATE OR PERIOD TO RECORD	WHAT DEPENDS ON IT
Start of the two-year goal	Defines months 13 to 24 and the end date.
Test dates and proposed closing date	Shows how much time remains for transition or customer acquisition.
Monthly transition profit and owner hours	Tests the chosen profit reading and the eight-hour limit together.
Seller-support scope, cost and end date	Connects customer retention, manager duties, cost and time.
Takeover end date and seller-payment dates	Defines how far the continuous \$300,000 cash requirement must be modeled.

The supplied cash model covers closing and four month-ends. The first \$66,000 seller payment is due twelve months after closing. Neither deadline reading nor cash throughout the full takeover has yet been established.

Timing against your chosen goal



EVIDENCE / EXPANSION ROUTE

If You Expand Instead

- FINDING**

Six annual customers at \$50,000 each produce exactly \$120,000 of operating profit on the supplied assumptions. The margin above the goal is \$0.
- WHAT COULD WEAKEN THIS FINDING**

Five customers produce \$90,000. The case documents no purchase. Price, contribution, support costs and delivery capacity remain unverified.

Two paid trials are a smaller result than six annual contracts and support only considering another limited test.

ANNUAL ILLUSTRATION (\$5)	FIVE CUSTOMERS	SIX CUSTOMERS	SEVEN CUSTOMERS
Revenue at \$50,000 each	\$250,000	\$300,000	\$350,000
60% left after direct service costs	\$150,000	\$180,000	\$210,000
Recurring support cost	-\$60,000	-\$60,000	-\$60,000
Operating profit	\$90,000	\$120,000	\$150,000

What must be true. Each annual customer adds \$30,000 of contribution, and the support cost needs two customers before any profit appears. If all six customers came from the 20 test prospects, the conversion would be 30%. The pass mark of two paid trials equals 10% of 20 prospects, and a paid trial is a smaller purchase than a \$50,000 annual contract. A pass therefore supports a further limited test (S5) and leaves most of the required demand untested.

Review your existing buyers first. S7 lists nine current buyers; their records may show actual price, contribution and time to sale. Confirm whether this is the same service as S5 before using those results to support expansion (page 5).

The Six-Week Test: At Most \$8,000 and Six Hours a Week

STEP	WHAT TO DO
Before outreach	Record the service, the trial scope, and the trial price. The \$50,000 figure describes an annual contract (S5), so the trial needs its own price, and that price must cover the agreed delivery work.
Who qualifies	A prospect that fits the service, takes part in the buying decision, and has a relevant need.
What to record	Prospects reached, prospects who understood the offer, paid trials sold, payments received, your selling hours, delivery hours, direct costs, and the reason each prospect gave for declining. A request for a conversation counts as interest and is recorded separately from a purchase.
How to read the result	Two or more paid trials delivered within the tested cost and time assumptions support a further limited test. Fewer than two paid trials call for a check of reach, offer, and delivery. Prospects who never received the offer tell you nothing about demand.

A prepaid reservation is another possible test, but its price, duration, refund terms and delivery duties must be defined before comparison. Match S5's 20 prospects with S7's 25 organizations before treating opportunities as separate. Reasons given for declining guide questions; they do not prove causation or that acquisition is better.

EVIDENCE / EXTRA SALES

The \$400,000 of Extra Sales Is Untested

FINDING

The \$400,000 of extra revenue in your forecast traces to an AI suggestion, and the AI stated that no customer test supported the figure (S7). The \$174,000 estimate excludes the extra revenue. Evaluate the purchase without the extra revenue.

WHAT COULD WEAKEN THIS FINDING

The absence of evidence does not establish that extra sales are impossible. Verified new purchases, account overlap, delivery cost and capacity could justify a revised estimate. Customer interest alone would not establish \$400,000 of recurring revenue or its profit contribution.

STEP IN S7	WHAT THE STEP SUPPORTS
Earlier AI suggestion	The AI proposed extra revenue equal to 20% of the competitor's \$2,000,000 and stated that no customer test supported the estimate.
Your later forecast note	The note includes \$400,000 of extra annual revenue. Multiplying \$2,000,000 by 20% confirms the arithmetic and leaves the 20% unverified.
Supporting list	The list holds 25 organizations. Nine already buy the same service from your existing business, which leaves 16 candidates. The plan proposes eight new annual buyers at \$50,000 each.

What would have to happen. Eight purchases among 16 remaining candidates means that half of the candidates must buy. The 50% figure is a requirement built into the plan. The case establishes no budget, interest, or buying date for any candidate, and no transfer of the seller's relationships.

Revenue is a different measure from profit. Selling expense, staff capacity, and service cost would reduce the \$400,000 before any profit appears. S7 supplies no delivery margin for the extra services.

Effect on the next step. Treat the extra sales as a possible benefit to test separately with specific customer questions. Keep the untested \$400,000 out of any calculation that decides the purchase.

GOAL AND ALTERNATIVES

When to Test Expansion Before the Acquisition

- FINDING

Investigate acquisition first when useful seller information can arrive within the allowance; expansion can deserve priority when its offer, prospects and delivery are ready to test.
- WHAT COULD WEAKEN THIS FINDING

Readiness, disclosure and the value of the expected answers are unverified. The cheaper test could teach too little to justify its cost. Conversely, paid trials may not establish annual demand. Compare actual learning opportunities before fixing the order.

The decision is how to obtain at least \$120,000 of additional annual operating profit within your cash, time and deadline limits. A thorough purchase review could still answer too narrow a question if it never compares another route to that goal.

Separate a test from a commitment

A \$2,000 acquisition review and an \$8,000 expansion test are immediate choices. A \$650,000 purchase and a full expansion are later commitments. Comparing the expansion test with the entire purchase price would misstate which next step costs less.

APPROACH	WHAT WOULD MAKE IT MORE USEFUL	WHAT REMAINS OPEN
Review the acquisition first	The seller can provide meaningful initial terms, summary financials and management detail within two weeks.	A competitor may restrict disclosure. The review may spend \$2,000 without establishing workable terms.
Test expansion first	The offer is ready, suitable prospects are reachable and delivery can be tested within the allowance.	Trial price, scope, full expansion funding and time to six annual customers remain unknown.
Buy customer relationships only	A defined transfer could meet the goal without taking over the whole operation.	No terms or consent are supplied. Exposure could become more concentrated in customer transfer.
Referral or subcontracting arrangement	The seller is willing to discuss a smaller commercial arrangement.	No arrangement is recorded as offered. Economics, duties and acceptance must be established.
Lender finance	Available terms improve early liquidity and the business can support total repayments.	Availability, fees, security and dated debt service remain unknown.
Wait	Neither test is ready to answer a consequential question at an acceptable cost.	Waiting preserves current cash and time but does not by itself achieve the stated profit improvement.

Compare what the money buys you

Expansion can reveal paid buyer behavior and delivery results. The first acquisition review mainly obtains seller descriptions and summary figures. Those descriptions may be valuable, but they need reconciliation and later verification. Compare likely learning, readiness, disclosure constraints, cost and time before choosing the order.

A weak expansion result does not prove acquisition is better. An unworkable acquisition proposal does not prove expansion demand. No seller deadline or competing offer is supplied, so urgency must not be invented. Record the selected order and the reasons before either test begins.

NEXT ACTION

Your Two Weeks, With Hours and Dollars

- FINDING**

The proposed two-week allocation uses \$2,000 and twelve owner hours to assess initial seller answers and decide whether further investigation is worthwhile.
- WHAT COULD WEAKEN THIS FINDING**

Seller restrictions, adviser fees and records work may prevent useful answers within the allowance. The allocation is a proposal, not a verified quote or assurance of access. Full earnings reconciliation and detailed legal or operational verification require a separately authorized stage.

The table divides the allowance of \$2,000 and twelve hours among four tasks. The division is a proposal. Adjust the division before Day 1 and keep the two totals.

TASK	WHEN	YOUR HOURS	WHAT THE TASK TESTS
1. Answer the seven questions on page 5. Pull your records on the nine existing buyers and on customers shared with the seller.	Days 1 to 4	4 \$0	The order of the two tests, the expansion assumptions, and the gain across both businesses.
2. Send the first-stage request on page 19. Agree confidentiality terms before any records move.	Day 1	2 Up to \$500 for legal review of the agreement	All three requirements.
3. Assess seller answers against profit, cash and time with an accountant. Keep verification gaps explicit.	Days 5 to 12	4 Up to \$1,500	Earnings, revenue kept, cash, and your time.
4. Complete the worksheet on page 23 and the decision record on page 25.	Day 14	2 \$0	The choice among the three rows of the decision map.
Total		12 \$2,000	

DAY 1 RULE

Seller contact and work on your records both count inside the allowance from Day 1 because both use your limited hours. This is the report's scheduling rule (page 27, correction 1). S1 sets the limits but does not specify the starting event.

What \$2,000 Leaves Out

The \$2,000 stage excludes full earnings reconciliation, legal review of customer agreements and direct customer or staff discussions. Obtain scoped quotes and a separate authorization for later work. The earlier O9 fee range could not be verified. Initial seller summaries can guide what to examine; they cannot establish that the three purchase requirements are met.

Why the Seller Request Has Two Stages

O2 and O3 support staged disclosure and later release of sensitive customer details. O2a also withholds exact concentration early. The first request is negotiable: accept appropriately anonymized summaries and ask when restricted detail can follow. A letter of intent does not guarantee access. The seller's response and the value of further work remain unknown.

BEFORE ANY RECORDS MOVE

Agree in writing how records will be shared, protected, and returned, and name the person who will examine financial records for you. Further financial, legal, and operational work would be needed before any purchase.

PRACTICAL MATERIALS / COPY-READY DRAFT

First-Stage Seller Request

Copy the message into an email and add your name. Review the message for your circumstances before sending. The message requests information. The message offers no price and commits you to nothing.

Subject: First questions about your business

Hello,

I am considering whether to take further steps toward buying your business. As we compete, I propose agreeing a staged disclosure process. Please provide only information appropriate for this stage, without customer names or identifying contract and staff details. Tell me what you can provide within two weeks and what must wait.

1. Price and payment structure. The total price you would consider. The payment at closing you would accept. Whether you would accept part of the price later, and on what interest and dates. Whether part of a later payment, or an amount held back for 12 to 18 months, could depend on your largest customers continuing to buy. Please separate terms you would accept from terms still open for discussion.

2. What is being sold. Whether you propose a sale of assets or a sale of shares. Whether receivables, work in progress, and working capital are included. Which obligations a buyer would take on.

3. Summary financials. Monthly revenue, operating expenses, and earnings for the last 24 months. Please identify personal withdrawals, unpaid work that you perform, and recent changes in revenue or costs.

4. Customer concentration, without names. An anonymized concentration summary and broad relationship and contract-duration information, where safe to share. Please identify detail that must wait until a later agreed stage.

5. Your duties and a handover. A list of your weekly duties with approximate hours. Which duties a replacement manager could cover. Whether you would stay for a handover period, for how long, and on what terms.

6. Timing and reasons. Your expected timetable, any firm deadline, any other active buyers, your reason for selling, and any work or competing activity you intend to continue after a sale.

Before any records are exchanged, I suggest that we sign a confidentiality agreement that covers how records are shared, protected, and returned. If an item is unavailable, please tell me what is missing and when you could provide the item.

Thank you.

REQUEST ITEM	REQUIREMENT INFORMED (PAGE 2)
1. Price and payment structure	Lines 1 and 2: retention-related terms and dated cash under each selected scenario.
2. What is being sold	Line 2: ownership, obligations and collectible receivables without double counting.
3. Summary financials	Line 1: reconciled earnings as an input to the combined profit calculation.
4. Customer concentration	Line 1: retained contribution using supportable account-specific assumptions.
5. Duties and handover	Lines 1 and 3: duties, manager cost, handover cost and owner hours.
6. Timing and reasons	The deadline interpretation and monthly schedule on page 14.

Follow-up questions and professional fees stay inside the \$2,000 and six-hour limits.

PRACTICAL MATERIALS / LATER STAGE

Second-Stage Requests, After a Letter of Intent

A second stage requires usable initial answers, a feasible way to resolve remaining gaps, and your authorization of a new scope, cost and time limit. The requests below test the seller information obtained in the first stage.

REQUEST	WHAT THE REQUEST RESOLVES
24 months of bank records, and tax returns for the matching years	Reconcile earnings with revenue and expense records, then combine retention, staffing and all recurring costs under Line 1. Bank receipts alone do not establish operating profit.
Named customers, revenue by customer, recent losses, and the agreements	Test retained contribution and transfer provisions. The \$1,910,000 revenue figure works only at 60% contribution with every other original input unchanged.
Staff roles, compensation, and the proposed manager's duties	Tests what the \$110,000 and the \$24,000 cover, and whether your share of the duties fits eight hours a week. An employee's role is a separate question from the employee's intention to stay.
Dated receipts and payments, obligations, and later purchase payments	Tests the \$300,000 cash minimum on actual dates, including balances inside each month and months 5 to 12. Keep operating flows, purchase payments, tax, and capital spending in separate lines, and count each payment once.
A conversation with the largest customer and with the employee who manages that customer, with the seller's consent	Direct discussions can inform intentions. Combine them with contracts and behavior; no conversation guarantees future purchases or continued employment.
Final terms: price, deferred amount, holdback, handover period, remedies for missed payments, and limits on the seller's future competition	Fixes the figures for a final cash calculation. A lawyer must assess whether a limit on competition can be agreed and enforced.

NOT ESTABLISHED BY THIS ILLUSTRATION

The case contains no real company records, no customer interviews, no seller acceptance, and no confirmed staffing plan. A missing item leaves a requirement unconfirmed. A missing item leaves the requirement neither met nor failed.

PRACTICAL MATERIALS / FILLABLE TRACKER

Track the Inputs to the Combined Profit Rule

Record what each source supports, its date, and whether the information is supplied, reconciled, estimated or unresolved. Document receipt is not verification. Earnings and retention are inputs to one profit calculation, not independent pass or fail lines.

Review date and person keeping this record

1 Reconciled earnings and recurring costs

Record seller earnings on a consistent basis, full manager cost, staff pay, systems and other recurring costs. Record each adjustment once. An earnings adjustment must not duplicate a customer loss or cost change entered separately.

Information received, source, date and grade

Unresolved point, next request, responsible person, due date and status

2 Revenue retained and customer contribution

Record support for each material account, avoidable costs, handover terms and contract provisions. The 60% contribution is supplied for the largest customer only. A handover offer or contract summary does not establish retained revenue.

Information received, source, date and grade

Unresolved point, next request, responsible person, due date and status

3 Combined profit result and existing-business effect

Compute the acquired profit and the evidenced change in your existing business. Compare total additional profit with \$120,000 on the agreed deadline basis. Until summary financials and handover information arrive, the result is unknown; receipt alone leaves verification outstanding.

Information received, source, date and grade

Unresolved point, next request, responsible person, due date and status

PRACTICAL MATERIALS / FILLABLE TRACKER

Track Cash Time and Your Existing Business

Use the same operating assumptions as the combined profit calculation. Mark each requirement supported, failed or unknown for a stated period. A modeled month-end result does not establish continuous cash availability.

Review date and person keeping this record

LINE 2 Cash and accepted seller terms

Record accepted price and payment dates, included working capital, the downside scenarios selected and dated cash balances through the takeover end date. \$430,000 addresses the late-receipt scenario; \$406,000 addresses the combined illustration. Both limits exclude unmodeled cash needs.

Information received, source, date and grade

Unresolved point, next request, responsible person, due date and status

LINE 3 Your time and staffing

Assign every material duty during review, transition and operation. Your added work must stay within eight hours each week. The review allowance is six hours weekly. Any manager or staff cost change must also change profit and cash.

Information received, source, date and grade

Unresolved point, next request, responsible person, due date and status

Existing business and later payments

Record existing-business starting profit, shared customers and costs, and the impact of your diverted attention. S6 supplies \$20,000 monthly net cash for four months only. Establish later cash separately and include every seller or lender payment.

Information received, source, date and grade

Unresolved point, next request, responsible person, due date and status

PRACTICAL MATERIALS / FILLABLE REVIEW WORKSHEET

Decide What Happens at Day 14

Count Day 1 from the first seller contact or records work under this report's scheduling rule. The allowance is \$2,000 total and six owner hours weekly for two weeks. Blank fields approve nothing. An unknown must remain unknown.

Start date, review date, actual spending, owner hours in week 1 and week 2

LINE 1 Profit

Combined additional operating profit of at least \$120,000 on the agreed deadline basis. Earnings, retained contribution, staffing and the existing-business effect belong in one calculation.

Supported, failed or unknown; source, calculation, assumptions and unresolved items

LINE 2 Cash

At least \$300,000 on each required date through takeover. Record the selected scenarios, accepted terms and any missing daily or later-period flows.

Supported, failed or unknown; source, calculation, assumptions and unresolved items

LINE 3 Your time

At most eight added hours each week at every stage, with duties assigned and all resulting costs included.

Supported, failed or unknown; source, calculation, assumptions and unresolved items

Choose the next action. Usable initial answers and a feasible way to resolve remaining gaps may justify proposing a separately funded next stage. Supported failure means stop on those terms or change terms and recompute. Missing essential terms or records means pause paid acquisition work and consider the expansion test.

Your choice and reasons: stop, pause, authorize a defined next stage, or authorize expansion testing

If more work is authorized: exact tasks, owner, spending limit, hours, review date and information that would change the choice

The three lines are not purchase approval. Deadline fit, interactions, accepted terms and the reliability of underlying information must also be established before a commitment. A paid-trial result authorizes no full expansion.

APPLY THE FINDINGS

When to Continue Pause or Change Direction

- FINDING**
Continue within the allowance only while investigation can answer a question that could change the decision. Any further stage needs a defined scope, budget and time limit.
- WHAT COULD WEAKEN THIS FINDING**
Received documents and seller enthusiasm may add little useful evidence. Missing essentials, excessive cost or no feasible way to resolve important gaps can make continuation unjustified. A failed acquisition proposal does not establish expansion demand, and missing information is not proof of impossibility.

Continue within the existing allowance only while the review can answer a question capable of changing the choice. Useful first-stage terms and records may justify further investigation, while leaving the purchase requirements unconfirmed.

At Day 14 a new stage needs a new decision

Record what remains unknown, how it could change the choice, how the information will be obtained, and the exact tasks, cost and owner time of the proposed next stage. Seller enthusiasm and receipt of documents do not establish accuracy or feasibility.

IF THIS HAPPENS	WHAT IT MEANS AND WHAT TO RECONSIDER
Combined profit falls below \$120,000	Reassess supported earnings, retained contribution, recurring costs and the existing-business effect. Deferring the purchase price alone does not improve operating profit.
Cash falls below \$300,000 during the required period	The terms fail the cash requirement for that scenario. A changed price, payment schedule or financing plan needs a complete dated recalculation, including later repayments.
Added owner work exceeds eight hours in any week	The plan fails the time limit. Reassign duties or reconsider the route. Put any staffing cost change into both profit and cash.
A requirement or deadline remains unknown	Leave it unknown. Decide whether resolving the gap warrants more work. Receipt of a handover plan cannot establish customer retention.
Essential initial terms or records are still missing	Pause paid acquisition work. Decide whether expansion testing is ready and worth funding. Rejection of one payment proposal does not establish that every structure is unavailable.
The expansion test fails its paid-delivery requirement	Examine outreach, understanding, purchase behavior, delivery time and cost. A weak result does not demonstrate that buying is better.

A changed requirement belongs to you

- The original cash, profit and time limits remain in force unless you explicitly change them after considering the consequences. Record the change and rerun the affected calculations. AI must not silently accept a smaller reserve, a lower profit goal, or more owner hours to make a preferred route appear feasible.
- The two tests cannot run at twelve combined owner hours within an eight-hour limit. Smaller overlapping tests would need a new design with adequate scope. No test outcome automatically authorizes a purchase, full expansion, additional spending or an extension.

DECISION RECORD / FICTIONAL ENTRIES

Your Decision Record

The record preserves the reasons recorded before the result was known so a later review can compare expected and actual results. The entries below record this report's recommendation. No real buyer has made the choice.

RECORD	CURRENT ENTRY
1. Proposed choice	Answer the seven questions, then run the two-week acquisition review at no more than \$2,000 and six hours a week.
2. Expected learning	The seller's position on the payment at closing, the deal structure, a handover period, summary earnings, customer concentration, and the duty list.
3. Other options	The expansion test first. A lender, a purchase of customer relationships only, a referral arrangement, and waiting (page 4).
4. Reason for the choice	The review is cheaper and shorter. Its value depends on useful seller information arriving within two weeks.
5. Main uncertainty	Revenue retained, total profit change and transition timing remain unknown. Outside scenarios illustrate exposure without predicting results. The review may find no workable terms.
6. Continue, stop or change	The three rows of the decision map on page 3.
7. Review point	Day 14, or sooner when the requested answers arrive.

Actual Results

New evidence, actual fees, actual hours, what happened, and whether the result supports continuing, changing direction, or stopping

To revisit the decision, bring this report and the updated records, name the assumptions that changed, and ask for a reassessment of the affected findings. New terms may justify another review. An unresolved gap leaves the proposal where the proposal stood.

METHOD AND REVIEW ACCOUNT

The Separate Examination

Triangulation here means comparing a separate AI examination with an existing analysis, examining differences and retaining supported corrections. Agreement between models does not verify business facts.

What the prior report says was examined separately

The prior dossier records that the fictional case was given to Claude in an incognito conversation without the original report or its conclusions. This separation was reported by the person conducting the examination; technical isolation was not independently verified. Responses were brought into the original conversation for comparison and challenge. R1 is the source for this historical account.

ADDITION DESCRIBED IN THE PRIOR REPORT	WHY IT MATTERS
Existing-business starting profit and possible customer overlap	The acquired company's estimate does not establish the total gain across both businesses. Lost attention, duplicated revenue and shared costs can change the result.
Five-customer expansion calculation	Five customers produce \$90,000. Six produce \$120,000 with no margin for one fewer buyer under the supplied costs.
Conditional \$470,000 and \$430,000 closing-payment limits	Timing constrains cash at closing. These limits apply to particular four-month scenarios and require recalculation when terms or cash needs change.

What survived the examination

The reported first response reproduced the principal calculations. That agreement provides a consistency check on arithmetic using common fictional inputs. It does not establish revenue, customer behavior, manager availability or the transition schedule. The calculations in this dossier must still be read with those limits.

What the current review corrects

The earnings adjustment, lost customer contribution and manager cost now share one profit calculation. Cash limits are labeled by scenario. The annual-profit comparisons with seller payments are separated from actual first-year cash capacity. The deadline discussion uses monthly profit when the goal refers to profit earned during year two.

The useful charts, cumulative-cash explanation, dependencies, alternatives and continuation guidance from the prior dossier are retained alongside the expanded analysis. Source excerpts S0 to S7 remain separate from report-derived rules.

This is an explanatory account based on supplied documents, not a complete raw transcript or proof that every possible issue has been resolved. The historical separate examination does not constitute an independent AI review of this updated dossier.

METHOD CORRECTIONS

Four Corrections and Why They Matter

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 your limited hours. Correction: count both within the shared allowance from Day 1; do not add an unbudgeted preliminary week. S1 states the limits but does not specify the event that starts Day 1. The starting rule is the report's conclusion.

2 One rejected payment proposal leaves other structures open

Earlier interpretation: rejection of deferred payment ends the acquisition route. Challenge: other prices or payment arrangements may exist. Correction: ask what the seller would consider and recompute each available structure. No alternative is assumed available, affordable or acceptable.

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 plus six hours against an eight-hour limit. Correction: the proposed tests cannot overlap at their stated owner hours. Smaller versions remain unexamined and need their own scope and limits.

4 Compare the learning and cost of each immediate test

Earlier interpretation: expansion testing is cheaper than acquisition. Challenge: the immediate acquisition review costs up to \$2,000; expansion testing costs up to \$8,000. Buying later is a separate commitment. Correction: compare test with test, including what each can establish. Paid trials measure buyer behavior and delivery; first-stage acquisition work mostly assesses seller information.

What these corrections change together

Time and money remain bounded. Other terms and expansion stay available. Learning enough to consider another stage does not establish enough to buy. Neither a cheaper test nor agreement between AI models establishes seller acceptance or business feasibility.

R1 describes the earlier correction sequence. The decision map on page 3, action plan on page 18, worksheet on page 23 and continuation guidance on page 24 apply these distinctions.

METHOD LIMITS

What This Report Does and Does Not Establish

QUALIFICATION	WHY IT MATTERS
One-input sensitivity charts hold other inputs constant.	A chart endpoint is not an independent pass rule. Simultaneous changes must be combined. The width of a chosen sensitivity range does not establish probability or which information is cheapest to obtain.
Lost revenue and earnings adjustments can overlap.	Reconcile the earnings period and each adjustment. Do not deduct the same customer loss or recurring cost twice. Use account-specific avoidable costs where available.
Financial records require reconciliation.	Bank receipts alone do not establish operating profit. Match bank, revenue, expense and tax records on a consistent basis.
A relationship-only purchase is not automatically safer.	It can concentrate exposure in customer transfer. Consent, service duties and economics remain unknown.
A prepaid reservation is not automatically a stronger test.	Price, duration, refund terms and delivery duties are needed before comparing it with a paid service trial.
Seller-contact ordering is a scheduling choice.	Sending an early request can overlap waiting with records work. It does not establish that seller information is more important or create extra owner hours.
Outside articles are contextual material.	The retained articles come from commercial advisers or vendors. Their observations are not probabilities for this fictional service company, and repeated web assertions are not independent corroboration.
Reported prior AI review has limits.	Later responses to an earlier exploration were not independent of that exploration. R1 does not establish a single-model independent reconstruction or a controlled comparison of outcomes.

Limits that remain material to the decision

No real company records, customer interviews, seller agreement or confirmed manager plan are supplied. The first-year transition, dated cash through takeover, additional profit across both businesses and full expansion funding remain unresolved.

The business case and its source extracts are fictional. Clearer presentation and corrected logic do not demonstrate improved real-world decision outcomes. Further financial, legal and operating work is required before an actual purchase.

What to bring to the next review

Bring updated records and this dossier. Identify the assumptions that changed, including customer contribution, staffing duties, seller terms, cash timing and the chosen deadline meaning. Recalculate every affected requirement together, then record the decision and the next review point.

APPENDIX B / SOURCE REGISTER

The Inputs, Reproduced as Supplied

S0 to S7 reproduce the prompt file without additions. The month table in S6 is set as four lines. "Supplied" names where an input came from, and "estimate" describes the uncertainty of the input. An input can be both.

S0. The Request

I am considering buying a smaller competitor or expanding my existing business. Help me decide what to do next, including what to examine or test before committing.

Success means at least \$120,000 in additional annual operating profit by the end of the second year, while keeping at least \$300,000 in cash available throughout any takeover and limiting all additional work to eight hours of my time per week. The investigation and expansion-test limits are specified below. Neither route is preferred, and I have not decided to proceed with either one. Other approaches may be considered if they could serve the same goal within my limits.

This is a fictional case. Use S1 to S7 as the case information, distinguish estimates and proposals from established conditions within the exercise, and leave missing information unknown. The earlier discussion relevant to this case is reproduced in S7.

Use AI Decision Alpha's guided process to help me work through this decision.

S1. The Person Considering the Purchase

You own an existing service business serving other businesses. You are considering buying a smaller competitor. "You" refers to the prospective buyer. "The seller" refers to the person selling the competitor.

You have \$900,000 in available cash. Your goal is at least \$120,000 in additional annual operating profit by the end of the second year. Operating profit means revenue less recurring operating costs, before financing costs and income tax. Your existing business's profit, revenue, customer-level profitability and detailed service offering are not supplied.

You require at least \$300,000 cash to remain available throughout any takeover. All additional work at every stage, including investigation, testing and operating after purchase, must fit within eight hours of your time per week.

A purchase investigation, if undertaken, is limited to two weeks, \$2,000 and six hours per week. Its review point is Day 14 or sooner when the requested materials arrive. Further spending or an extension requires a new choice. If essential payment terms and records remain unavailable at the deadline, paid investigation pauses. These are limits on that activity, not an instruction to select it over other approaches. No choice between investigating the purchase and testing expansion is supplied to this examiner.

S2. Seller's Annual Financial Summary

Annual revenue: \$2,000,000. Annual operating expenses: \$1,680,000. The seller describes annual earnings as \$320,000.

The seller performs management and customer work. No salary for that work is included in operating expenses. Money the seller withdraws for personal use sits outside those expenses.

The original proposed purchase price is \$650,000, all payable when the purchase completes.

These are annual figures. The transition period, first-year performance after purchase and timetable for reaching a settled level of operation are not supplied. No detailed monthly profit-and-loss statements, tax returns or bank statements are included in this exercise.

S3. Staffing, Systems and Customers

A replacement manager is quoted at \$110,000 per year, including employment costs. The precise allocation of the seller's duties to that manager is unconfirmed. Proposed pay increases for two current employees total \$24,000 per year. Additional recurring systems cost is \$12,000 per year.

The largest customer provides \$240,000 in annual revenue. In the supplied scenario, 40% of that customer's revenue corresponds to direct costs that disappear if the customer leaves. Other staff and management costs continue. One employee covered by the pay-increase proposal manages that customer relationship.

The employee has not confirmed continued employment after sale; the customer has not confirmed future purchases. Neither has said they intend to leave. The manager, pay and systems figures are scenario estimates. Their completeness and availability are unconfirmed.

S4. Upfront Costs and Alternative Payment Proposal

Purchase-related fees: \$25,000. Upfront setup spending: \$45,000.

You propose an alternative to paying the full price immediately: \$450,000 when the purchase completes and \$200,000 paid later. Your proposal repays \$50,000 of the remaining purchase price at the end of each of four years. Annual interest is 8% of the amount owed at the start of each year, paid with the annual principal repayment. The first payment is at the end of year one.

The seller has not agreed to this alternative. It is a fictional buyer proposal, not a seller offer. No seller deadline, competing offer, agreement restricting future competition, final contract terms or customer-transfer terms are supplied. An unanswered question is not evidence that a particular term is unavailable.

APPENDIX B / SOURCE REGISTER CONTINUED

The Inputs, Reproduced as Supplied

S5. Expansion Proposal

An alternative proposal is to sell your existing service to six additional customers, each paying \$50,000 per year. The plan assumes that 60% of revenue remains after direct service costs and that another \$60,000 of annual support costs would be needed.

A proposed six-week test approaches 20 suitable prospects. Its maximum spending is \$8,000, and it uses six hours of your time per week. The stated test criterion is at least two paid service trials delivered within the tested cost and available-time assumptions. That criterion permits consideration of a further limited test; no annual purchases are documented.

The paid-trial price, precise service, delivery scope, actual buyer responses and full expansion cash forecast are not supplied. The \$50,000 figure describes a proposed annual contract, not a trial price. Overlap between this prospect list and S7's list is unknown.

S6. Estimated Monthly Cash Movements

Your existing business contributes an estimated \$20,000 net cash in each of months 1 to 4 after its operating payments, amounts set aside for tax and routine equipment purchases. This assumes you continue to manage that business adequately and take no additional cash out for personal use.

For the business being considered for purchase, estimated customer receipts less operating payments are:

Month 1	-\$80,000
Month 2	-\$20,000
Month 3	+\$15,000
Month 4	+\$18,000

Those amounts include customer receipts, payroll, supplier payments and recurring costs under the proposed staffing plan. They exclude upfront fees and setup spending, purchase-price payments, financing, income tax and further capital spending.

The monthly illustration assumes the negative net movement occurs before later receipts, with no lower balance within that month. No dated daily receipts-and-payments list is supplied. Months 5 to 12 are not supplied.

A separate timing scenario delays one \$40,000 receipt from month 1 until month 3. It changes collection timing, not the amount of revenue earned.

S7. Fictional Earlier Discussion and Prospect List

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."

Your later forecast note:

"I have included \$400,000 in additional annual revenue from selling those services after the purchase."

The supporting list contains 25 organizations. Nine already purchase the same proposed service from your existing business. The plan proposes eight additional annual buyers at \$50,000 each. No buyer interviews or purchases supporting those extra sales are documented. The delivery margin for the additional services is not supplied.

The relationship between these 25 organizations and S5's 20 expansion prospects is unknown.

OUTSIDE SOURCES

Sources and Their Fit to This Decision

Web material was reviewed on September 25, 2026. The pages below support the stated uses, not the fictional business inputs. They are commercial adviser or vendor publications, with no verified statistical sample establishing outcomes for this business.

O1 Milly Books

The synergy pro-forma article uses 5%, 10% and 15% client-revenue reductions for different transition-quality scenarios. It also gives a 3% to 8% combined-revenue adjustment elsewhere; these have different denominators and should not be treated as interchangeable estimates. Insurance-agency context. The dossier uses 5% to 15% only for sensitivity illustrations. No twelve-month minimum or probability is established here.

<https://www.millybooks.com/journal/for-buyers/synergy-and-due-diligence/synergy-modeling-pro-forma/synergy-pro-forma>

O2 Windsor Drake

Supports staged disclosure, later release of names and contract detail, and tighter restrictions for direct competitors. Seller-side advice aimed at founder-led transactions, including fintech. The previously described \$3M to \$50M size band was not confirmed on the reviewed page. This source does not establish what this seller will provide.

<https://windsordrake.com/confidential-business-sale/>

O2a Legacy Entrepreneurs

Supports staged disclosure after buyer screening and a confidentiality agreement. Tennessee business-broker context. The reviewed page withholds exact customer concentration at an early stage. It does not support a blanket right to account-level schedules or contract summaries in the first request.

<https://legacy-eta.com/legacy-entrepreneurs-blog/confidential-business-sale-tn>

O3 The Advisory IB

Describes high-level customer concentration first, then industry and contract-length information, and specific names after a letter of intent and buyer vetting. This is seller-side process advice. The requested disclosure schedule must still be agreed with the seller.

<https://theadvisoryib.com/blog/confidentiality-business-sale-protection/>

O4 Livmo

Describes 10% to 20% top-customer revenue concentration as manageable in its own transaction experience. The examples concern software businesses and are not a universal safety rule. Here, a 12% revenue customer supplies \$144,000 contribution, making its loss decisive despite that broad label.

<https://livmo.com/blog/why-customer-concentration-kills-deals-and-how-to-diversify-fast/>

OUTSIDE SOURCES CONTINUED

Additional Sources and Verification Limits

O5 Sofer Advisors

Describes escrow of 10% to 15% of price for 12 to 18 months and seller-note timing tied to customer retention. These are advisory examples, not offered terms. Any draw from escrow depends on the agreement; a buyer does not automatically receive the whole holdback.

<https://soferadvisors.com/insights/blog/customer-concentration-why-it-cuts-sale-price-10-to-30-percent/>

O8 CT Acquisitions

Reports 5% to 15% reductions in claimed adjusted earnings associated with unsupported add-backs. The firm describes businesses with \$1M to \$25M in earnings before interest, tax, depreciation and amortization. That differs materially from this case. The range supplies a sensitivity example, not an expected reduction in the seller's \$320,000.

<https://ctacquisitions.com/quality-of-earnings/>

O10 Transworld NorthStar

Describes small sales where sellers retain receivables and settle payables, while expressly noting exceptions. The actual transaction structure remains unknown. The \$80,000 cash outflow does not establish who owns receivables, and adding receivables requires avoiding duplication of modeled receipts.

<https://www.tworldnorthstar.com/blog/working-capital-considerations-in-selling-your-business>

O11 Iconic

Repeats a survey figure that 48% of 2023 business sales involved seller financing. The underlying survey and sample were not independently verified here. The percentage is not used to predict this seller's acceptance. A second publisher's 60% to 80% figure was not verified and is omitted from the analysis.

<https://iconic.co/blog/seller-financing-a-complete-guide/>

References whose original numerical assertions were not verified

O6 Beacon: the attributed four-week to twelve-month transition range was not verified. No fixed transition range is used as a requirement.

O7 SBA7a.loans: the attributed 1.25 payment ratio was not verified and is not used as a lender-approval rule. No lender or loan program is selected.

O9 Finsider: the attributed \$6,000 to \$25,000 abbreviated-review price was not verified. Obtain a scoped fee quote before authorizing later work.

R1 Prior dossier and source fidelity

The supplied prior Sapien Amplified Complete Decision Dossier provides the historical review account, correction sequence, useful charts and dependencies discussion. Its references to an earlier original report and exploration do not substitute for raw transcripts. S0 to S7 on pages 29 to 30 reproduce the supplied case text from the Merged source register; report-derived interpretations remain outside those excerpts.