

Texas Oil: Buyer

You are a business manager for Texas Oil. Texas Oil is an American gas and oil company. It has gas stations from Texas to California.

The company has a 5 year plan to increase its business by 100 gas stations. Your job is to find help the company achieve its 100 gas station target within 5 years. If you are successful you will likely get a big promotion in the company.

You can help the company add gas stations in two ways. First, find new locations and build new stations in areas. Second, buy existing stations.

You have met Gerry and Mary once before. They are nice people and they are very good at managing a gas station. In addition, their gas station is in an excellent location. There are many cars on busy roads and there are not many other gas stations in the area. Buying this gas station at the right price would be very could your career.

Building a new gas station in the areas would cost \$675,000. That includes land as well as constructing a new building plus all of the things a gas station needs. A new station in the area would new a small convenience store and to open 24 hours a day in order to make a good profit.

If you buy the existing gas station you would need to spend another \$100,000. That would be needed to improve the site and add a convenience store to the gas station. Your boss said you cannot pay more than \$500,000 for the gas station.

Texas Oil: Seller

You and your spouse own a gas station. Your gas station is very busy. You and your partner work from 6am to 10pm 6 nights a week. Your gas station is closed on Sundays. There is no convenience store at the gas station.

Your average annual income (after gas station expenses) is \$75,000. That's for you and your partner.

Now almost 55 years old, you are too young to retire and would like to keep working. But you and your partner have a dream. You want to fix up your boat and sail around the world for a year. Life is short and you decided that now is the time to live an adventure.

You are asking \$675,000 for the gas station. That is a high price. Your lowest price is \$553,000. You are certain about this price because you made some calculations.

You made a budget. You calculated the cost to repair your boat, the money to live for a year while traveling plus \$75,000 to live (food, rent, etc) after you and your partner return from your trip. You will need that money because you will have no job or business.

\$553,000	sale price
65,000	taxes
250,000	boat loan
75,000	boat repairs
88,000	expenses for a year while traveling
<u>75,000</u>	live for a year after return
\$553,000	total expenses