

## **Problem Statement:**

**Get HVAC equipment.**

## **Possible Alternates:**

### **1. Take the offer:**

**Cost of Equipment:** \$0.

**Savings deduced:** 50%

**Service Contract:** \$15000 per year

### **2. Reject the offer and buy the equipment myself.**

**Cost of Equipment:** Take the loan and pay off the savings.

**Savings deduced:** 0%

**Service Contract:** No service contract

## **Evaluation Criteria:**

**Money**

## **Data needed:**

Apart from the information already provided, I would like to know what the price of the equipment is, how much loan are they taking for the equipment and if their rate for maintenance is \$15000 per year, what is the normal maintenance rate?

## **Evaluation:**

Based on the provided information I believe that this is not “A free Lunch” due to two reasons:

1. They are a service providing company whose maintenance rates are too high due to which they came up with this offer.
2. The equipment may cost less than the savings they are taking from me.

Due to the above 2 reasons what I would do is reject their offer, take the loan from the bank and buy the equipment myself. This way I will get to keep all the savings, pay the loan and sign a contract with a much cheaper service provider.