Simple Business Purchase

Case Study # 1

Mr. and Mrs. Barnes are looking at purchasing a convenience store. Mr. Barnes and Mrs. Barnes have $300,000 in cash. The 2017 Year to date sales through March 31, 2013 were $250,000. The convenience store owner (Seller) wants $700,000 for the store.

Sales were $900,000 in 2014, $1,000,000 in 2015 and $950,000 in 2016. It cost $400,000 to purchase the goods sold (Cost of Goods Sold-COGS) in 2014 and $350,000 and $400,000 respectively in 2015 and 2016.

Hired labor expense including payroll taxes in 2014 was $210,000, $180,000 in 2015 and $200,000 in 2016. General expenses that includes, insurance, property taxes, health insurance, repairs and maintenance on the building and accounting and legal expenses were $75,000 in 2014, $70,000 and $85,000 in 2015 and 2016 respectively.

The Seller has indicated that he will take back a note for $400,000 with interest at 7.5% and four equal annual payments.

Included in the purchase price is $75,000 in grocery store stock inventory items. The store building is not included in the sale and the Seller will rent the building to the new owners for $75,000.

Because the Seller was not at the grocery store very much and Mr. and Mrs. Barnes plan to operate the store themselves, Mr. and Mrs. Barnes believe that they can not only maintain sales but achieve a significant increase over the next several years. Mr. and Mrs. Barnes would like to withdraw $50,000 per year from the store to supplement their retirement.