

# AC499: Bachelors Capstone in Accounting: Unit 1

## Discussion Script

**Mack:** “Hi, I’m Mack. My best friend Peter Charles (aka: PC) and I have been best friends for 10 years. Both of us have an extensive background in computers. For years, our friends and family have encouraged us to go into business for ourselves as computer technicians. One day over coffee, we decide to take action and start our own company. We spend about 2 hours discussing all our needs and then develop an estimate of how much it would cost to get our company started. “

**Mack:** “PC and I approach my father with our business proposal. We inform him that we have decided to start a company that will service the Greater Northern Virginia area. Our niche market will be owners of home-based businesses who do not have their own technical support team. We estimated that we would need \$25,000.00 in startup capital. The following is a breakdown of our estimate:”

Used Truck:\_\_\_\_\_ \$15,000  
Office equipment, computer, phone,  
fax, etc.:\_\_\_\_\_ \$5,000  
Cash Reserve for additional expenses:\_\_\_\_\_ \$5,000  
**Total Needed:**\_\_\_\_\_ \$25,000

**Mack:** “My father is so impressed that he offers us a \$25,000 business loan over 48 months at an interest rate of 8%!”

**Mack:** “The business model is simple. I will take the calls and dispatch Peter to service the clients. Our marketing plan is word of mouth referrals, a website, and a moderate email campaign. We contacted local companies offering similar services to determine our pricing. In an effort to gain business, we structured our pricing at a very competitive 20% lower than the closest competition and major electronic chains (Best Buy, Circuit City, Comp USA etc.).

The first two weeks of business were fairly slow, averaging only 2 calls per day. However, things started to pick up in week three. By week six, the calls for service began to increase to over 20 calls a day for service. Due to our niche in the market, these customers are small business owners who cannot afford downtime in their business. “

**Mack:** “What was originally designed to be a Monday-Friday 8 to 5 operation, turned into a 24/7 business, and neither PC nor I could support the number of calls, or e-mail requests for service. The customers we did respond to received average to below average service due to the physical demands placed on us. Although the company, Computers 2 U produced a profit in the second, third and fourth month of operations, we had to close shop after only 6 months in business.

- What critical errors do you see in the initial planning phase of our company?
- What economic factors do you think should have been factored into our plan?
- What operational improvements would you have suggested during the planning phase?

- What are the main factors that contributed to the failure of this company in your opinion?