

The Integration of Faith and Learning In Finance and Marketing Using the Case Approach

By
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Abstract

Often in the development and presentation of courses, professors focus on their specific discipline and fail to address the interrelationships that exist among the various functional areas within a typical organization. At Regent University, considerable emphasis is placed on the integrative and complex nature of organizational decisions throughout the curriculum.

The purpose of this paper is to examine the use of a case study to illustrate a business situation where the assessment of both financial and marketing issues are critical to the decision makers in the case. In addition to business issues, a case should introduce biblical world view and Christian perspective issues as part of the framework for the analysis and decision making processes. Thus, an integrated and balanced approach must be used by students to properly assess alternative courses of action to reach realistic and comprehensive conclusions.

Marketing and financial issues provide a logical venue for demonstrating this integration. Students are often teamed together where each member brings their wealth of experience or provides knowledge in a specific functional area. Of course, personalities also play a role in learning how to work with others. Marketing people are typically extroverts, visionaries, optimists, and believe that they can sell just about anything. Finance people are typically introverts, practical, pessimists (or maybe realists), and believe that numbers are needed to evaluate any alternative or arrive at any conclusion.

Regent University is committed to the case based approach to teaching in many of our classes. We desire to have cases that are both integrative and can be analyzed from a biblical world view approach. Over the years, we have found it necessary to frequently develop our own cases to achieve these objectives. Case development is a challenging process. Cases need to be realistic, logical, stimulate critical thinking, promote key business concepts, be integrative, have a balance of quantitative and qualitative issues, and allow issues to be addressed from both a biblical world view as well as a secular world view.

The TexRec Corporation is an example of a case that successfully integrates financial and marketing issues within a Christian decision making framework.

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Introduction

Often in the development and presentation of courses, professors focus on their specific discipline and fail to address the interrelationships that exist among the various functional areas within a typical organization. For example, when teaching financial management, the instructor may concentrate on the methods of quantitative analysis that relate to concepts like capital budgeting such as net present value. In many situations, it is equally important to address the non-financial issues that influence the manager's decision making process. In accounting classes, the subject matter and instruction might become even more focused since there is so much emphasis placed on the exact processes related to proper accounting procedures and correct reporting. Often, too little attention is given to the overall impact of accounting decisions on other business areas of the organization. In many programs, the integration of business concepts is finally achieved in the "capstone" course.

At Regent University, considerable emphasis is placed on the integrative and complex nature of organizational decisions throughout the curriculum. When teaching finance and marketing classes, for example, there is a concerted effort to identify the relevant issues related to both areas and incorporate them into class discussions. One advantage at Regent University is that only graduate programs are offered. The typical MBA and MA student has relevant business experience and is comfortable with the integrative approach to sound problem solving and organizational decision making.

The purpose of this paper is to examine the use of a case study to illustrate a business situation where the assessment of both financial and marketing issues are critical to the decision makers in the case. In the case setting, the business owners must evaluate a new business opportunity. The case identifies a number of marketing and financial issues that interact with each other. Students must be able to model these interactions and develop sensitivity or "what if" scenarios in order to properly evaluate decision alternatives. In addition to sound business practices, the business owners in the case use a biblical world view and Christian perspective as the framework for their analysis and decision making processes. Thus, an integrated and balanced approach must be used by students to properly assess alternative courses of action and reach realistic and comprehensive conclusions.

Case Study Approach to Teaching

Many of the courses taught at Regent University incorporate the case study approach. Since the students have already earned an undergraduate degree and many have professional work experience, one of the main purposes of the masters degree training is to refine and apply critical thinking skills to organization and business situations. The case study approach with

real world practical applications is an effective method to achieve that objective. Even with a mature and experienced student body, successful implementation of the case approach is not a guarantee. Students come to Regent with a variety of undergraduate degrees ranging from highly technical engineering degrees to specialized interests such as music or history. As a result, some students lack business undergraduate training. We have to be careful about moving these students too quickly into comprehensive business case situations before they first have a firm grasp of foundational business concepts.

In addition, many of our students have been away from the academic environment for a number of years. While these students usually have solid professional experience, it is often not business related. Also, “non-traditional” students usually take some time to adjust to the fast paced academic learning environment and may initially lack some of the technical computer skills necessary to be successful in our university setting.

On the positive side, the diversity of backgrounds, skills, abilities, training, experience and undergraduate degrees of our students combine to enrich the classroom experience for everyone. Of course, there is the inevitable learning curve as the students work to become proficient in the appropriate subject matter and to find common ground with each other. However, once the students become more comfortable with the subject matter, the positive aspects of class dynamics take over. With different gifts and talents, students can more easily learn from each other. The case approach enhances those opportunities for learning. Students with higher academic abilities can quickly grasp concepts and apply them to the practical settings. Students with professional experience can recognize business situations and give examples to reinforce and improve the class’s understanding of concepts.

With case studies as the foundation for course presentation, the next challenge is to migrate from cases that focus on just one discipline to those that present more integrative business issues. The cases must illustrate how various functional issues are interrelated and why it is important to evaluate them from a comprehensive perspective. Marketing and financial issues provide a logical venue for demonstrating this integration. In addition, group members are often teamed together where each member brings their wealth of experience or provides knowledge in a specific functional area. Of course, personalities also play a role in learning how to work with others. Marketing people are typically extroverts, visionaries, optimists, and believe that they can sell just about anything. Finance people are typically introverts, practical, pessimists (or maybe realists), and believe that numbers are needed to evaluate any alternative or arrive at any conclusion.

If a case situation is presented to marketing students, there will no doubt be a different approach to analyzing and making recommendations than if the same case is evaluated by finance students. The best learning environment is where the marketing students hear the finance students analyze the case and vice versa. While it is logistically impractical to have students attend each other's classes, we have designed a number of classes where students are challenged to analyze cases from the perspective of different disciplines. In certain classes, marketing and finance faculty are invited to attend each other's classes to provide added perspective and expertise during case discussions.

This type of integrative case analysis would be a reasonable approach if the typical case lent itself to a comprehensive evaluation from the perspective of different disciplines. Generally, cases presented in text books are somewhat narrow with their focus almost entirely on a specific topical area. In a finance text book, a typical case on capital budgeting will be about one page in length with a decision scenario supported by numbers that can be used to develop a net present value type analysis. The decision is usually based on the one primary criterion. Other issues or factors in the case that would require a more integrated business solution are often minimized or ignored. Also the simpler cases often minimize the quantitative aspects of case analysis and maybe even ignore computational requirements all together.

At the other end of the spectrum are Harvard type cases. These cases can be extremely lengthy and complex. The goal of requiring an integrative approach to case analysis is met, but the decision process can be so difficult, that a typical business student, in the middle of their program is often unable to successfully develop a comprehensive solution. Harvard type cases are typically 15 to 20 pages long and contain multiple exhibits that require extensive analytical expertise in order to properly evaluate the available information.

Cases are needed that fill the void between these extremes; cases that focus on a variety of critical concepts from more than one discipline. These cases would be about five to ten pages in length including some exhibits and requiring both quantitative and qualitative analysis to evaluate the alternatives and reach comprehensive decisions. Often text books contain some comprehensive cases, but most still lack the integrative nature of the business decision process. These comprehensive cases typically just require more quantitative computations or more depth of analysis, but still focus on only one discipline. They provide excellent training in one area but lose the integrative nature of the typical business situation.

At Regent we develop our own cases to address this need. See Attachment 1 for the TexRec Corporation Case as an example of the type of integrative case we typically use in our classes. When developing a case we focus on several key objectives.

1. Does the theme of the case incorporate concepts from more than one discipline? In the TexRec case, the key concepts include acquisition analysis tied to market share growth and elasticity of demand.
2. Is there sufficient quantitative information for each discipline that can be generated to assist in the decision making process? In the TexRec case, financial statements are presented to help the owners of TexRec determine if they should pursue the acquisition of an additional business. In addition to the financial data, students are provided with market projections and pricing information that will allow them to conduct “what if” scenarios related to revenue and profit margin analysis. Based on the market analysis, the student can then complete a variety of quantitative tasks including financial analysis, forecasting, and capital budgeting analysis.
3. Can qualitative information be generated to assist in the decision making process? In the TexRec case there are a variety of issues presented that will require integrated, qualitative types of analysis to support the decision making process.
4. Does the case have practical application? In the TexRec case every effort was made to make the case as realistic as possible without sacrificing confidentiality of the situation, especially in light of financial information and business strategies. Enough practical

information was given in the case that will enable students to identify with the circumstances and perhaps even their own experiences. We believe that the more realistic the case, the better learning tool it becomes.

Biblical World View Integration into Cases

It is one thing to find reasonable cases that promote the integration of business concepts and have a practical application. To find a case that also has a biblical world view aspect or models decision making with a Christian perspective is almost impossible. There is little focus and few examples in available textbook or Harvard cases that present a Christian perspective or require a biblical world view as the foundation for analyzing the business issues presented in the case. In some situations, a professor can add additional questions that will encourage the students to address issues in the case from a biblical world view. Many issues and questions, which are presented from a secular perspective, can also be addressed from a biblical perspective. In many situations, it is actually easier to answer the case from a biblical perspective since that is the source of all truth and provides richer solutions.

One might think that cases that require significant quantitative analysis, typical for finance cases, would have limited opportunities for biblical analysis. The computational process does not change, however the context of the analysis can be influenced by the manner in which the subjects in the case present the problems and issues. For example, there can be supporting comments related to being a good steward of resources or honest weights and measures. The more qualitative types of cases can easily lend themselves to additional analysis from a biblical perspective. Issues of servant leadership, morality, ethics, and accountability can be addressed and compared from a biblical versus secular point of view.

The faculty at Regent frequently uses the approach of developing biblical world view questions to fit existing cases. However, we believe that the better solution is to write actual cases that integrate the biblical world view into business situations. The advantage of writing the cases is that specific issues that have a biblical application can be incorporated right into the case setting. This leads to the final objectives listed below:

5. Can concepts from the different disciplines be integrated into the case analysis? In the TexRec case, both finance and marketing issues must be integrated with the Christian perspective of the owners in order to evaluate the case properly.
6. Does the case provide opportunities to address issues from a biblical world view perspective? In the TexRec case, a number of issues relate to Christian business practice, bankruptcy, debt funding, unity of decision-making, as well as stewardship issues that all underlie the analysis and evaluation process.

Application to other Programs of Study

While Regent only has graduate level courses, the integrative case study approach with a biblical world view philosophy can be implemented with equal success at the undergraduate level. Case study analysis and its goal to promote more critical thinking has become more popular especially in junior and senior level courses. By the time students reach their junior year, they have completed the foundational business courses and should understand the interactive nature of the various functions of business. Case analysis is a logical, progressive

step in preparing students for professional employment. The more “real world” their academic experience is through opportunities to apply academic concepts in practical settings, the better our students will be prepared to deal with the real life challenges of integrating their faith as managers and leaders in the business world.

A key to the case analysis method of teaching is to have cases that simulate a real world setting but at a proper level of complexity. Again, that middle ground between the simplistic cases incorporated in many text books and the complex Harvard type cases geared toward the graduate student would seem to be the ideal area to develop appropriate cases for junior and senior level undergraduate students. While the cases presented at Regent are at the graduate level they are also applicable for advanced undergraduate study. In the TexRec case, enough information is presented to give the students plenty of opportunities to develop a variety of possible solutions. The case presents both finance and marketing aspects within a biblical decision making framework. The quantitative information is fairly straight forward and can lead to a relatively simplistic evaluation or a much more complex analysis. Solutions to questions are balanced between quantitative and qualitative responses. There are also several areas where distinctions can be made between the secular and biblical world view approaches that influence the final analysis.

Cases typically cannot incorporate all of the complexities of an integrative business situation. Also, it is often necessary to make assumptions regarding aspects of the case because the students do not have the benefit of a real time association with the case. One can only work with the facts of the case as presented and there is essentially no ability to get additional information to refine decisions. However, in an academic setting, one must remember the purpose and limitations of a case exercise. We are trying to stimulate critical thinking as much as actually solving the case. We also want to challenge the students to refine their analysis processes versus focusing only on the decision itself. Case analysis should lead to constructive discussion and exchange of ideas versus identifying the “right answer.”

A final goal is to achieve a balance so the cases are sufficiently challenging yet achievable. There are certain concepts and issues that must be emphasized in any case analysis. If the case is too hard, students end up “spinning their wheels,” and we lose synergy in the learning process. If a case is too easy and every student quickly arrives at the same answer, then the case method loses “learning opportunities” presented when students disagree. Our goal is to develop cases that strike the right balance between challenge and successful achievement.

Conclusion

Regent University is committed to the case based approach to teaching in many of our classes. We desire to have cases that are both integrative and can be analyzed from a biblical world view approach. Over the years, we have found it necessary to frequently develop our own cases to achieve these objectives. Case development is a challenging process. Cases need to be realistic, logical, promote key business concepts, be integrative, have a balance of quantitative and qualitative issues, and allow issues to be addressed from both a biblical world view as well as a secular world view. The TexRec Corporation is an example of a case that successfully integrates financial and marketing issues within a Christian decision making framework. See Attachment One for the TexRec Case.

Attachment One

TexRec Incorporated

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Bruce and Marcie Snyder are the cofounders and owners of TexRec Incorporated. The company features various recreational facilities in the Fort Worth area and all are based on a Texas and cowboy theme. The company started six years ago when Bruce and Marcie purchased a miniature golf company near downtown Fort Worth at a bankruptcy auction.

The previous owners of the golf course had let the property deteriorate plus that area of town was also declining in value. These factors allowed Bruce and Marcie to purchase the property at a distressed price. Bruce and Marcie saw potential in the miniature golf course investment, even though there was a large initial cost in renovating the facilities. The property was just two blocks east of many of the downtown attractions including the main rodeo arena. They were aware that the city council had developed plans to revitalize the downtown and they believed that the revitalization would positively affect the attractiveness of their golf course property. Bruce and Marcie also changed the appearance and theme of the golf course to fit with the cowboy and western culture of Fort Worth.

The gamble paid off and the business venture prospered. Tourists and many of the locals liked the new golf course and it became a welcome addition to the other attractions in downtown Fort Worth. Bruce and Marcie advertised and promoted heavily with other businesses in the immediate area by offering coupons and other specials to increase traffic and draw more patrons to play miniature golf. The revitalization of the downtown area with new stores, shops and entertainment also helped to draw in crowds of people looking for leisure and recreational activities.

As profits came in from the miniature golf course, Bruce and Marcie looked for other recreational types of companies to start up or acquire in the Fort Worth area. Two years after the miniature golf course purchase, they were able to purchase an abandoned storefront about one mile away on the west side of the tourist area. They used this location to set up a video arcade using some of the old time pinball type machines and marksmanship games, which are popular at carnivals. These games offered a low cost alternative to the new high tech video games, which normally cost a dollar or more to play. Bruce and Marcie only charged 25 or 50 cents to play any of the games in their arcade.

One year later Bruce and Marcie converted an empty lot next to the arcade shop into a Texas Maze park. A giant maze structure was set up which could be easily changed on a daily basis. Customers would try to complete the maze and various check points within a specific time to win prizes. The venture seemed to be a perfect compliment to the arcade. When people got tired of sitting inside playing games, they could go outside and run through the maze. Two years ago, Bruce and Marcie purchased yet another business called Kid's Park. The attraction had bumper car rides and other kiddie type rides including a small roller

coaster and was located less than two miles north of the Fort Worth tourist area. This last purchase was a significantly larger investment, because the previous owners were cashing in on the renewed prosperity of the downtown area. Also, this property was considerably larger, covering one square block and included parking for around 20 cars.

Bruce and Marcie could not resist this acquisition. It gave them exposure on three sides of the downtown tourist area and catered to a younger segment of the children's market. Now, Bruce and Marcie offered recreation and entertainment activities for children from two to twenty-two. All the businesses could feed off of each other, since people coming into the old Fort Worth rodeo area from the north, east or west could be near one of their attractions.

After acquiring the last property, Bruce and Marcie decided to incorporate. They selected the name TexRec Incorporated following the theme of Texas Recreation. All of the businesses followed a Texas and cowboy theme, which fit in with the flavor of Fort Worth. The businesses have all done well and the synergy between them has created even greater success. Customers that visit one of the locations would learn about the other activities. Bruce and Marcie also offered special discount coupons to generate cross – business among their various attractions.

Last month Bruce and Marcie learned about another local company that was up for sale. Get Wet is a water park located just outside the Fort Worth city limits on the west side of town. Get Wet has been in existence for ten years and has multiple slides, three different tube rides, a wave pool and a kiddy park. The park also has changing rooms, an administrative office, and two concession stands.

The acquisition of this single property could immediately double the revenues of TexRec. However, at the same time there could be considerable risk if the water park is not sufficiently profitable. Bruce is in favor of the acquisition for the following reasons. He believes that the water park theme complements the other recreational types of businesses that TexRec is currently operating. The same synergy that exists between the current businesses could be expanded to the water park operation. In addition, the acquisition would really put TexRec on the local map as a big time player in the recreation industry.

Water parks have grown extremely popular with new super parks springing up all over the country. They are especially popular in the south where hot summers and relatively mild winters extend the water season past the summer months when most family vacations take place. Parks in the south typically stay open from April through October and generate significant revenues in the “non-summer” months because of long weekend hours as well as afternoon and evenings during the week. Get Wet is a smaller scale, older water park, and attracts a somewhat different clientele than the new super parks which have been built in the last three years, like the one just to the east of Fort Worth in Arlington.

According to Bruce, competing against the big entertainment conglomerates is not new for a smaller local company like TexRec. Their company has also had to battle the large theme parks like Six Flags over Texas when it comes to capturing the tourist and local recreation dollar. The entertainment and recreation businesses like TexRec are certainly on a much

smaller scale, but smaller scale operations also have certain advantages. Bruce and Marcie have effectively targeted those customer who doesn't want to spend a full day at a theme park but would rather spend a few hours enjoying some alternative recreation to go along with other activities in the Fort Worth area. TexRec can usually offer recreational activities at a lower price, which attracts customers who does not want to spend a fortune or a full day at one activity. For example, the large theme and water parks typically charge between \$30 and \$45 dollars for a day ticket. Bruce believes they can charge about \$15 to \$20 dollars at the water park and be very competitive. In addition, they would be able to offer season passes which would be attractive to the locals as well as offering specials to increase traffic and patronage during slower times of the week.

Conversely, many customers are drawn to the super theme type parks, both water parks and amusement parks, because of the wide variety of activities and features being offered. Bruce conducted a small survey of his customers. He asked the typical tourist and some local customers about their preferences for water park recreation and the vast majority of tourists picked the new super park with lots of rides and activities versus an older and smaller park even though the price differences were substantial. They even indicated they were willing to wait in long lines for the super rides at the big parks and fight crowds as opposed to enjoying the less thrilling and less crowded smaller parks. On the other hand, locals seemed more interested in the smaller park. They felt it was more convenient for shorter visits, had less wait times and was less expensive.

Bruce and Marcie are very aware of this competitive situation and have developed a sound strategy to appeal to both the locals and tourists segments of their target market. Given their focus on the local market, they believe that their real competition is with the other smaller recreational outlets that offer similar services like miniature golf parks, arcade locations and even bowling alleys and the rodeo arena. They also try to work with some of the competing businesses, like being part of selling the greater Fort Worth rodeo district, to attract some tourists away from the super parks.

Location of amusement activities is usually a critical success factor, especially with tourists who tend to be less familiar with facilities "off the beaten path." The four current businesses owned by TexRec are all in close proximity to the Fort Worth downtown and rodeo area. They complement each other and the company is often able to "cross-sell" customers who come to one of their attractions and learn about the others. This leverage will be important because the water park is located on the west side of Fort Worth which does not have any large tourist attractions like the corridor between Dallas and Fort Worth. Almost all of the big hotel chains and tourist attractions are located between the cities, and if anything, Dallas, to the east, has become a much bigger draw than Fort Worth to the west. Bruce does have some concerns that Get Wet water park might have a harder time drawing the tourist trade because it is farther away from the town center and would be virtually unknown except to local customers from the Fort Worth area and other towns to the west. Bruce believes that patronage from just the locals is not sufficient to generate the level of business necessary for the park to meet his revenue and profitability expectations.

Marcie has other concerns about the acquisition of Get Wet. The maintenance and insurance costs for water parks can be very high. When the area gets into drought situations, water rationing could close down the park. Also cold Texas winters and ice storms could do major damage to the parks water pipe system in addition to shortening the season. All the other businesses they own can really go year round, and she is not sure how this seasonal business will fit in. Marcie also wants to keep the Texas and cowboy theme in all their businesses and is has not figured out a way to relate that to the water park.

A big question both Bruce and Marcie have is why the original owners, Gertrude and Wesley Soaker, want to sell the park after only ten years of operation. Gert and Wes say they want to move on to other endeavors and are looking forward to retirement. Could the stress of the business and the competition from other big parks be impacting the growth and profits of the water park, or has ten years brought enough profitability to provide the Soakers with a wealthy retirement?

Bruce is confident they can overcome the potential adversities they have identified. After all, they took a bankrupt miniature golf course in a decaying area of the city and turned it into a popular attraction for tourist and local customers. They have built up a local clientele of repeat business, which he thinks would be willing to frequent the water park. The same discount coupons offered at the other TexRec businesses, which have been so successful at expanding their customer base, could be extended to the water park. The water park also targets the very age group of children and even adults who want to have enjoyable, yet reasonably priced entertainment and recreation. The water park could expand their existing target market and bring even more tourist business to their current operations.

Bruce thinks that the quality service and attention to customer satisfaction that underlie each of their current businesses will pay back in customer loyalty. Since they are native to the area, and well respected in the community, the local population especially, will support their different businesses including the water park. Bruce felt that if the company were not growing, it would be standing still, and as soon as the momentum were lost other competitors would come in start taking away market share.

Marcie was more cautious. Growth for the sake of growth may not be a good thing, and what if the pendulum swings in the other direction. Bruce argues that is even a greater reason for continued acquisitions so that the company is better diversified and can withstand fluctuations in the business cycle. It was very important to Bruce and Marcie that they be in agreement with this potential purchase. They had always been in agreement about every previous business venture and served as a good check and balance system for the company.

Both Bruce and Marcie see this acquisition as a little more risky than previous ventures. If successful, they could become one of the really big time players in the recreation and entertainment market in Fort Worth and gain even more clout and recognition for potential business opportunities. The rewards could be substantial not only financially but in many other ways. However, if the water park venture is not successful, it could bring down the whole business. Everything they had worked hard to develop over six years could disappear in one failed summer season. Starting anew would be much harder the next time around.

Six years ago, they had timed the area revitalization just right and were able to get their initial properties at low costs and now similar properties would be much more expensive.

Bruce and Marcie requested and received financial statement information from the Soakers for Get Wet Water Park for the last two years. They also received data on park traffic along with some projections for future growth. They wanted to compare the financial performance of Get Wet with TexRec for the last two years and try to determine how the expanded company would do if the acquisition were made. Bruce believes TexRec would be able to borrow money at 12 percent so he felt that Get Wet should bring at least a 15 percent return on assets just to cover the cost of money, or a 25% return on equity would be satisfactory.

As Bruce and Marcie reviewed the financial data, they began to identify some issues. First, Bruce felt that the operating costs were high because the previous owners were not leveraging their opportunities properly. Bruce believes that most of the water park's operating costs are relatively fixed in the short term and will not increase even if customer traffic can be increased substantially. In addition, Bruce believes that, based on his limited research, the demand-price relationship for recreation facilities like the water park are fairly inelastic. Therefore, Bruce believes they would be able to raise the price of tickets approximately \$4 to \$5 without adversely affecting the number of visitors. In addition, a higher "list" price would give them some pricing flexibility so that they would be able to offer specials for half days and evening visits. He believes that these specials would be especially appealing to locals. Finally, he believes that the higher prices will provide additional funds to support a stronger marketing and advertising program that would target the regional tourist trade. Bruce believes that a substantial number of tourists would be interested in visiting smaller, less congested, less expensive facilities like those located in the Fort Worth area. In addition, Bruce believes that the business association they belong to would be interested in partnering in a more aggressive advertising and promotional campaign. Adding the water park to the list of attractions would strengthen the appeal of the Fort Worth area to the regional tourist trade.

As Marcie looked at the data, she identified one problem area. Both Bruce and Marcie believed, given a more aggressive marketing strategy and upgrades to some of the equipment, that the water park would be able to draw much higher number of clientele than historical records were showing. However, the current owners kept the park open on Sundays since that is a big recreation day for both locals and tourists and was (based on the records), the second most popular day of the week in terms of traffic. Sunday was especially important during the non-summer months when children were back in school since weekend revenues were much stronger than the later afternoon / evening time periods. Bruce and Marcie have always believed that Sunday, as the Lord's day, should not be a day of work and they have managed to successfully operate their businesses without staying open on Sunday.

Marcie is concerned that without Sunday revenues, the water park business might not be able to reach the revenue and profit levels she believes are necessary for long term success. Bruce and Marcie estimate that closing on Sundays could potentially cost them up to 20% of their projected customer traffic.

Illustration One

Get Wet

Balance Sheet

December 31, 1999, 2000 and 2001

Dollars in Thousands

	1999	2000	2001
Current Assets			
Cash	26.0	72.5	61.6
Accounts Receivable	3.0	3.5	5.4
Supplies	36.0	40.0	47.0
Other Current Assets	<u>5.0</u>	<u>7.0</u>	<u>8.0</u>
Total Current Assets	70.0	123.0	122.0
Long-Term Assets			
Land	83.0	83.0	83.0
Building (net)	127.0	117.0	107.0
Equipment (net)	<u>520.0</u>	<u>450.0</u>	<u>387.0</u>
Total Long-Term Assets	<u>730.0</u>	<u>650.0</u>	<u>577.0</u>
Total Assets	\$800.0	773.0	699.0.0
Current Liabilities			
Accounts Payable	25.5	22.0	12.3
Short-Term Notes Payable	50.0	45.0	18.0
Other Current Liabilities	<u>2.5</u>	<u>3.0</u>	<u>0.5</u>
Total Current Liabilities	78.0	70.0	30.8
Long-Term Liabilities			
Mortgage Payable	360.0	300.0	270.0
Long Term Notes Payable	<u>112.0</u>	<u>110.0</u>	<u>110.0</u>
Total Long-Term Liabilities	<u>472.0</u>	<u>410.0</u>	<u>380.0</u>
Total Liabilities	550.0	480.0	410.8
Owners Equity			
Owner's Capital	100.0	100.0	100.0
Retained Earnings	<u>150.0</u>	<u>193.0</u>	<u>188.3</u>
Total Owners Equity	<u>250.0</u>	<u>293.0</u>	<u>288.3</u>
Total Liabilities & Owners Equity	\$800.0	773.0	699.0

Illustration Two

Get Wet

Income Statement

For the Years ending December 31, 2000 and 2001

Dollars in Thousands

	2000	2001
Sales Revenue	\$1,200.0	\$1,320.0
Less Operating Expenses		
Operating Expenses	680.0	750.0
Depreciation Expense	<u>80.0</u>	<u>80.0</u>
Operating Margin	440.0	490.0
Less Selling & Administrative Expenses		
Selling and Marketing Expenses	109.2	121.2
Administrative Expenses	<u>102.8</u>	<u>126.0</u>
Net Income Before Interest & Taxes	228.0	242.8
Interest Expense	<u>48.0</u>	<u>54.0</u>
Net Income Before Tax	180.0	188.8
Income Tax	<u>72.0</u>	<u>75.5</u>
Net Income	\$ 108.0	\$ 113.3

Illustration Three

Get Wet

Statement of Retained Earnings

For the Years ending December 31, 2000 and 2001

Dollars in Thousands

	2000	2001
Beginning Balance Retained Earnings	\$150.0	\$193.0
Net Income	108.0	113.3
Withdrawals	<u>65.0</u>	<u>118.0</u>
Ending Balance Retained Earnings	\$193.0	\$188.3

Illustration Four

TexRec

Balance Sheet

December 31, 1999, 2000 and 2001

Dollars in Thousands

	1999	2000	2001
Current Assets			
Cash	17.0	15.0	7.0
Accounts Receivable	4.0	6.0	5.0
Supplies	38.0	40.0	43.0
Other Current Assets	<u>3.0</u>	<u>4.0</u>	<u>5.0</u>
Total Current Assets	62.0	65.0	60.0
Long-Term Assets			
Land	80.0	77.0	82.0
Building (net)	147.0	148.0	157.0
Equipment (net)	418.0	436.0	463.0
Goodwill (net)	<u>30.0</u>	<u>26.0</u>	<u>22.0</u>
Total Long-Term Assets	<u>675.0</u>	<u>687.0</u>	<u>724.0</u>
Total Assets	\$737.0	\$752.0	\$784.0
Current Liabilities			
Accounts Payable	15.0	14.0	12.0
Short-Term Notes Payable	19.0	17.0	21.0
Other Current Liabilities	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Current Liabilities	36.0	33.0	35.0
Long-Term Liabilities			
Mortgage Payable	314.0	280.0	246.0
Long Term Notes Payable	<u>82.0</u>	<u>71.0</u>	<u>59.0</u>
Total Long-Term Liabilities	<u>396.0</u>	<u>351.0</u>	<u>305.0</u>
Total Liabilities	432.0	384.0	340.0
Owners Equity			
Owner's Capital	200.0	200.0	200.0
Retained Earnings	<u>105.0</u>	<u>168.0</u>	<u>244.0</u>
Total Owners Equity	<u>305.0</u>	<u>368.0</u>	<u>444.0</u>
Total Liabilities & Owners Equity	\$737.0	\$752.0	\$784.0

Illustration Five

TexRec

Statement of Retained Earnings

For the Years ending December 31, 2000 and 2001

Dollars in Thousands

	2000	2001
Beginning Balance Retained Earnings	\$105.0	\$168.0
Net Income	152.0	171.0
Withdrawals	<u>89.0</u>	<u>95.0</u>
Ending Balance Retained Earnings	\$168.0	\$244.0

Illustration Six

TexRec

Income Statement

For the Years ending December 31, 2000 and 2001

Dollars in Thousands

	2000	2001
Sales Revenue	\$950.0	\$1,140
Less Operating Expenses		
Operating Expenses	372.0	426.0
Depreciation Expense	<u>55.0</u>	<u>55.0</u>
Operating Margin	523.0	659.0
Less Selling & Administrative Expenses		
Selling and Marketing Expenses	145.0	198.0
Administrative Expenses	<u>95.0</u>	<u>144.0</u>
Net Income Before Interest & Taxes	283.0	317.0
Interest Expense	<u>30.0</u>	<u>32.0</u>
Net Income Before Tax	253.0	285.0
Income Tax	<u>101.0</u>	<u>114.0</u>
Net Income	152.0	171.0

Illustration Seven

Get Wet

Growth and Income Projections

2000 through 200X

Dollars in Thousands

	2000	2001	2002	2003	2004	2005	2006
Customers	80,000	86,500	92,500	97,000	101,000	105,000	112,000
Revenue	\$1,200.0	\$1,320.0	\$1,425.0	\$1,525.0	\$1,615.0	\$1,700.0	\$1,825.0
Operations Expense	680.0	750.0	835.0	895.0	950.0	1,005.0	1,090
Depreciation Expense	80.0	80.0	85.0	85.0	90.0	90.0	90.0
S & A Expense	212.0	247.2	270.0	290.0	315.0	345.0	375.0
Net Income	108.0	113.3	106.7	117.9	121.0	122.2	129.4
Total Assets	773.0	699.0	635.0	580.0	520.0	480.0	430.0
Total Equity	293.0	288.3	245.0	234.2	217.0	195.0	150.0
New Working Capital	12.0	13.2	14.3	15.3	16.2	17.0	18.3
New Long-Term Asset	10.0	25.0	10.0	25.0	10.0	15.0	12.0

The following issues / questions must be addressed in your analysis.

1. To remain competitive and sustain growth, Bruce and Marcie know that TexRec has to be constantly changing and improving to meet the needs of the marketplace. Their initial growth strategy took advantage of the revitalization of the downtown area and they saw the advantage of promoting a common cowboy theme across their various businesses. Identify the critical factors that Bruce and Marcie should be addressing as they plan their overall business strategy for the next five years.
2. Identify and evaluate the target segments of the market that TexRec is trying to capture. Evaluate each of the segments in terms of revenue / profit potential as well as cost to reach them. How might the acquisition of Get Wet impact their market focus and clientel mix?
3. Identify the advantages for TexRec to acquire Get Wet.
4. Identify the disadvantages for TexRec to acquire Get Wet.
5. Compare the recent financial performance of TexRec versus Get Wet. What are the strengths and weaknesses of each company?
6. As Christians, Bruce and Marcie want to follow God's will for their life and business. What would be a good biblically based approach to this decision to acquire Get Wet?
7. Should TexRec acquire Get Wet for their asking price? Why or why not?
8. Complete both a market and financial analysis to determine what would be an appropriate price for TexRec to offer for Get Wet given your previous analysis.
9. Present biblical support to the different financial and marketing issues that need to be considered in this business acquisition decision. Are Bruce and Marcie demonstrating the application of these biblical principles in their decision process and business practice?