

# Assuming Control at Altex Aviation Harvard Case Solution & Analysis



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# Theodore Edwards & Frank Richards

## The Beginning...

Edwards  
 - Market Planning in New York consulting firm - Dallas



Richard  
 - Corporate finance department with electronics firm - LA

## New Company's Criteria



- Low investment
- Managerial skills
- Fragmented and nonoligopolistic
- Growth rate 20% per year

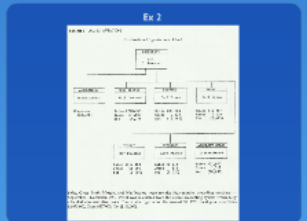


- Altex Aviation - One of eight fixed-base operations at San Miguel Airport - Served Texas.
- Had a loss of \$100,000 on sales of \$2,000,000 in fiscal year 1971.
- This left the company with a negative net worth.

Ex 1

Account	1971	1972	1973	1974	1975
Assets					
Current Assets					
Cash	1,000	2,000	3,000	4,000	5,000
Accounts Receivable	2,000	3,000	4,000	5,000	6,000
Inventory	3,000	4,000	5,000	6,000	7,000
Prepaid Expenses	1,000	1,000	1,000	1,000	1,000
Other Current Assets	1,000	1,000	1,000	1,000	1,000
Fixed Assets					
Property, Plant & Equipment	10,000	10,000	10,000	10,000	10,000
Accumulated Depreciation	(2,000)	(4,000)	(6,000)	(8,000)	(10,000)
Other Fixed Assets	1,000	1,000	1,000	1,000	1,000
Liabilities					
Current Liabilities					
Accounts Payable	2,000	3,000	4,000	5,000	6,000
Notes Payable	1,000	1,000	1,000	1,000	1,000
Other Current Liabilities	1,000	1,000	1,000	1,000	1,000
Long-Term Liabilities					
Bonds Payable	5,000	5,000	5,000	5,000	5,000
Other Long-Term Liabilities	1,000	1,000	1,000	1,000	1,000
Equity					
Common Stock	10,000	10,000	10,000	10,000	10,000
Retained Earnings	(1,000)	(2,000)	(3,000)	(4,000)	(5,000)
Other Equity	1,000	1,000	1,000	1,000	1,000

Ex 2



## The Purchase

- Stock of the company for \$10,000 each.
- Decentralize
- Profit Center
- Wrong predictions



## The Company

The Fuel Facility  
 Retail Fueling, Wholesale Fueling, Fuel Hauling,  
 Rental Cars, Tie-Downs  
 Service E-Parts  
 Flight training  
 avionics  
 Aircraft Sales  
 Accounting

## Ted's Policies

- Profit centers**
- Revenues and Expenses
  - Bonus
  - Pricing Authority
  - Buying Power
  - Hiring & Firing
  - Salary Authority



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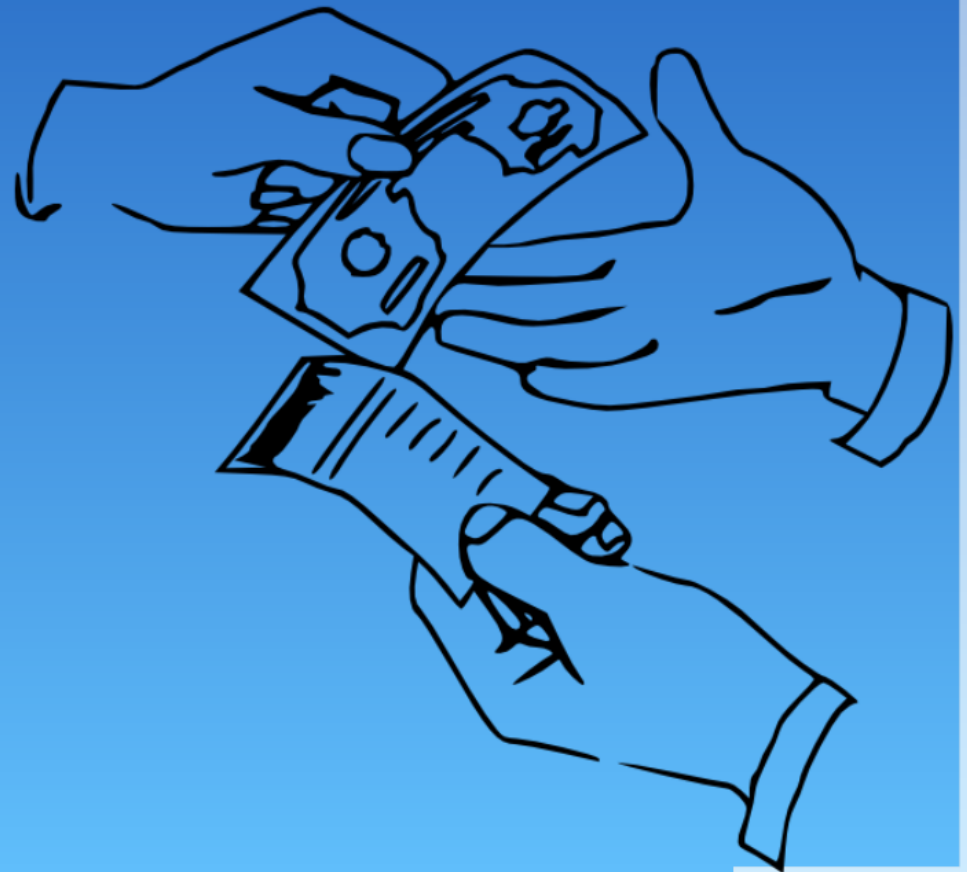
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Rental Cars, Tie-Downs**

*Service & Parts*

*Flight training*

*Avionics*

*Aircraft Sales*

*Accounting*

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