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| Details: | Benjamin O'Henry has owned and operated O'Henry's Data Services since its beginning ten years ago. From all appearances, the business has prospered. In the past few years, you have become friends with O'Henry and his wife. Recently, O'Henry mentioned that he has lost his zest for the business and would consider selling it for the right price. You are interested in buying this business, and you obtain its most recent monthly unadjusted trial balance which follows:

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| O'Henry's Data Services Unadjusted Trial Balance November 30, 20XX |
| Cash……………………………… | $9,700 |  |
| Accounts receivable……………………… | 7,900  |  |
| Prepaid expenses………… | 2,600 |  |
| Furniture, fixtures, & equipment | 151,300 |  |
| Accumulated depreciation |  | $15,600 |
| Accounts payable………… |  | 3,800 |
| Salary payable……………… |  |  |
| Unearned service revenue |  | 6,700 |
| Benjamin O'Henry, capital |  | 137,400 |
| Benjamin O'Henry, withdrawals | 2,000 |  |
| Service revenue………… |  | 14,300 |
| Rent expense…………… |  |  |
| Salary expense………… | 3,400 |  |
| Utilities expense……… | 900 |  |
| Depreciation expense |  |  |
| Supplies expense…… |  |  |
| Total………………………………………….  | $177,800 | $177,800 |

Revenues and expenses vary little from month to month, and November is a typical month. Your investigation reveals that the unadjusted trial balance does not include the effects of monthly revenues of $2,100 and monthly expenses totaling $2,750. If you were to buy O'Henry's Data Services, you would hire a manager who would require a monthly salary of $3,000.The most you would pay for the business is 20 times the monthly net income you could expect to earn from it. Compute this possible price. The least O'Henry will take for the business is his ending capital. Compute this amount. Under these conditions, how much should you offer O'Henry? Give your reason. |