GEZ PETROL STATION: SPREADSHEET MODELLING FOR CAPITAL BUDGETING

CASE SYNOPSIS

After retiring from the army, Mr Haris was looking into the opportunity of becoming a GEZ Petrol service station dealer in Selangor. In order to decide whether he should apply and embark on the business, he sought the assistance of Mr Rizal, an accounting lecturer who was also an expert in building financial models for decision making. Capital budgeting is one of the important analyses to be performed in order to make the decision. Using Excel in performing the analysis, various sensitivity analyses could be conducted. Mr Rizal then gathered the relevant operational and financial data from Baron Service Station, a typical petrol station under GEZ stable. The model should be flexible enough to allow the petrol station operator to anticipate, for example, (1) what will happen to overall cash flow of the petrol station if the fuel prices go up? and (2) how much cash flow can be generated if credit card sales is reduced?