

Riley supply case essay



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Riley Supply* Jim Riley believed that the North Atlanta suburbs of Cherokee County and Forsyth County were about to take off in the mid-90s so he, along with his next door neighbor, started a plumbing and heating supply business to benefit from the expected growth. Fortunately, the targeted counties of Cherokee and Forsyth did experience significant growth over the next decade as the following population table indicates.

1995	112,971	61,483
2006	195,327	150,968

Cherokee Forsyth Yet, despite the fact that profits were also growing, the company experienced anointed cash flow problems.

As a result, Riley finds that an increasing amount of his time is being devoted to dealing with the cash flow problems. The company has normally relied on bank loan financing secured by accounts receivable and inventory. However, in 2006 the company was unable to reduce its bank loan during the seasonal slowdown period. Furthermore, the company's manufacturer suppliers were becoming unhappy. Some had even started to demand payment on delivery rather than offer the 2/10, n/30 terms standard in both the manufacturer and wholesaler markets. Riley is not sure what he should do.

He expects that 2007 sales will be 30% higher than the prior year and that there will be continued strength in sales in the following years. Furthermore, his co-investor is becoming increasingly bothersome so Riley would like to buy back the 40% ownership in the company that he does not now control.