

Rules of Play

BUSINESS

STRATEGY



AVALON HILL'S TRADEMARK NAME FOR ITS MANAGEMENT GAME

Read FAMILY GAME RULES first—see the green instruction card, then consult this folder only after becoming familiar with the play of the Family Game.

filling out lines 3a, 3b, and 3c for the current month. Production plans should remain confidential until all players have recorded their intentions for that turn. Each Standard Factory may produce one FIU per month at a processing cost of \$2,000, while an Automated Factory can produce two units for \$3,000 or *one unit for \$2,000*. After all Presidents have declared their production plans for the turn, each pays the Bank for converting his RMU's into FIU's. It is not mandatory that units be manufactured, or full production capacity be utilized. However, Fixed Expenses must continue to be paid regardless of production.

Players now consult the Climate Card to determine the Potential Market for Finished Inventory and Maximum Market Value for Finished Inventory. Armed with this information plus the knowledge of their own production capabilities as well as that of their opponents, players must decide how many FIU's to offer for sale and at what price. This information is secretly recorded on lines 4a and 4b of the Running Record Sheet. Only after all bids have been recorded are they made public and sales made to the Bank, taking the lowest bids first and working up until the Potential Market sales figure has been reached, or the supply of units offered for sale is exhausted. At this point lines 4c and 4d on the Running Record Sheet are filled out and the Bank issues payment for all sold FIU's. Remember, the price listed on the Climate Card is the Maximum Market Value — if you place a higher price tag on your finished inventory it *cannot be sold*. Ties are resolved in favor of the Senior Bidder in much the same manner as shown previously for RMU's.

At this time, Presidents may borrow money from the Bank, repay loans, and pay interest on loans previously taken. Unlike the other phases of BUSINESS STRATEGY it is not necessary to perform this function in private. Players not desiring to take out a loan and not needing to repay a previous loan or pay interest may simply record zeroes on lines 5a, 5b, and 5c of the Running Record Sheet and proceed to CAPITAL IMPROVEMENTS. Those having business in the LOAN PAYABLE category must adhere to the following guidelines:

A President may borrow up to one half the value of his factory units. Thus, if a player has 3 standard factories he may borrow up to \$7500. All loans must be repaid within 12 months, with interest at the rate of 1% per month. Loans cannot be paid off sooner than 12 months. Interest payments are rounded upwards to the nearest \$50. Payments must

of a player to meet his obligations and not necessarily at the end of the month. Another President may not buy out a bankrupt President. He may sell if bankruptcy seems imminent, so long as it has not actually occurred. For example, if a player has sufficient cash to finish March but will not be able to pay Fixed Expenses in April, then he may arrange a partial sale of his possessions to the highest bidding competitor in March. The Bank takes over all assets in the event of bankruptcy.

SPECIAL SITUATIONS

The Special Situations printed on the bottom of the Climate Cards were ignored in the FAMILY GAME. However, in the BASIC BUSINESS game players must abide by the instructions given therein. Note that four of the Special Situations call for events to take place in the following turn rather than the current turn. Note also that these same situations (*Cooperative Advertising, Consumer Boycott, Sour Economy, Imports*) can be pre-empted by counter situations as described on the cards. When two contradictory Special Situations are drawn, the latter situation always pre-empts the former. EXAMPLE: The June Situation calls for a SOUR ECONOMY which will reduce RMU's available for the next 6 months, effective in July. However, the July Situation reveals the IMPORTS card which calls for an increase in RMU's effective in July. As a result, the SOUR ECONOMY card is ignored and the RMU supply increases rather than decreases! Note that had the order of the cards been reversed the exact opposite result would have occurred. Should the same Special Situation be drawn in two consecutive turns, the effects are prolonged an additional month. They are not doubled!

CALENDAR YEAR

At the end of every calendar year the Climate Cards must be shuffled before play proceeds.

SPLIT BIDS

You will note there are *two* spaces on the Running Record Sheet for lines 2a, 2b, 4a, and 4b. This allows each President the option of recording bids on RMU's and FIU's at two different prices instead of one price as in the FAMILY GAME. For example; if Potential Market for FIU's is 4 units, North may offer 3 at \$4,000 and 1 at \$3,000 *assuming he has 4 to sell*. In the event a President offers more for sale than the market can buy, the banker buys all those offered at the lower price first. Conversely, a President may elect to bid for RMU's at two different prices; purchases being made at the higher price first.

Basic Business Game

To be successful in **BUSINESS STRATEGY** you must analyze market conditions, take shrewd advantage of your competitors' circumstances, and prudently operate your own factories and warehouses at peak efficiency. You and your competitors must agree beforehand whether the game is to end after a predetermined number of calendar years or at some specified time on the clock, or by elimination of all other players.

HOW TO WIN

In the calendar and clock versions, the player with the greatest *Surplus* showing on the Balance Sheet wins. (*Surplus is always a reflection of profit; at the end of one calendar year it would be the same as the Net Profit figure shown on the P & L Statement.*) In an elimination version, play proceeds until all players but one have gone bankrupt.

Two, three, or four players may participate. Each player assumes the role of President of a manufacturing corporation. Instructions for expanding the game to allow a greater number of participants can be found in the **CLASSROOM** game.

COMPONENTS

1. Family Game Rules card
2. Rules of Play folder
3. 16" x 16" Playing Board
4. One Running Record Pad
5. One set of 18 Climate situation cards
6. 4 sets of 4-colored Pawns (16 total).

Play follows the same course of action outlined in the Family Game with the following exceptions and additions provided herein for greater realism.

HOW TO START

Play follows the same outline provided in the Family Game. Each player is given \$10,000 from which he must immediately pay fixed expenses of \$4200 for the January turn. This figure is recorded on line 1 of the *Running Record Sheet*. Henceforth the recording of each turn's Fixed Expenses shall be the first step in the play of each monthly turn. Each

player is given three pawns of the same color which he places on the proper squares of the board; indicating that he has 2 FIU's (Finished Inventory Units), 2 Standard Factories, and 4 RMU's (Raw Material Units). Later, if the player decides to order an Automated Factory he is given a fourth pawn which he will place on the proper square of the Automated Factory row.

HOW TO PLAY

After all players have paid and recorded their Fixed Expenses on line 1 of the Running Record Sheet the Senior Bidder for that turn turns the next Climate Card face up. All players then secretly record the number of units they wish to bid upon and the bid per unit on lines 2a and 2b of the Running Record Sheet. After all bids have been recorded, the Presidents expose their bids. The highest bidder receives his units first, and the remaining available units go to the next highest bidder, and so forth until all available units are sold. Surplus units which do not receive the minimum bid called for by the Climate Card are retained by the Bank. Tie bids are resolved in favor of the Senior Bidder or if he is not involved in the transaction, the player sitting closest to him proceeding in a clockwise direction around the table.

EXAMPLE: January's Climate Card might indicate 8 RMU's available at a minimum bid of \$500. North bids for 4 at \$600 each, South bids for 3 at \$550 each, West bids for 5 at \$550 each, and East bids for 2 at \$500 each. Thus, North gets 4 for a total expenditure of \$2400; the tie between South and West is resolved in favor of South (assuming North is Senior Bidder), thus South gets 3 units for \$1650, and West gets the remaining unit for \$550. East gets none. North now moves his RMU pawn forward four spaces; remaining players move their RMU pawns forward commensurate with the number of units bought. At this point lines 2c and 2d must be filled out on the Running Record Sheet.

Players now decide how many RMU's they wish to convert to FIU's and record this information on the Running Record Sheet by

is repaid. The amount of the loan is recorded in line 5a of the Running Record Sheet on the turn in which it is taken. The amount of the monthly payment is recorded on line 5b on the turn following the loan and every turn thereafter until the loan is repaid. Additional loans cannot be made until the initial loan is repaid, unless another factory is acquired against which a loan has not been made. Such an additional loan would be limited to $\frac{1}{2}$ the value of the newly acquired factory. A President cannot re-finance a loan if the money is not available to pay off the original obligation; but if he pays off his loan when it becomes due, he may re-borrow during the same month. A President may wish to finance a new factory during the same month that it comes into production. For instance, if a factory comes due in March, you may take out a loan in March during Phase 5 to cover the final payment of that factory. The amount of the loan should be entered on line 5c and carried forward every month until the loan is repaid. **NOTE:** loans may only be taken in Phase 5 of the schedule of events printed on the Running Record Sheet. If a loan is taken during another phase, it is termed an *Emergency Loan* which must be repaid in 12 months with a monthly interest charge of 2%. No loans between Presidents are allowed, nor may an Emergency Loan be taken for a sum in excess of a player's regular credit limits.

At this point players may opt to build new factories or convert old ones as stated in Phase 6 of the **FAMILY GAME**. The initial 50% down-payment should be recorded on lines 6a, 6b, and 6c respectively. When the factory is completed the remaining 50% must be paid and so noted on the appropriate line for that month. At this point, one month has been completed in the play of **BUSINESS STRATEGY**. Repeat Phases 1 through 6 until the end of the game.

SPECIAL SALES

At any point in the game you may sell an operating factory to one of your competitors at mutually agreeable turns.

BANKRUPTCY

Bankruptcy occurs immediately upon failure

SHUTDOWNS

In the event that a strike should occur, operations become unprofitable, or for any other reason, a President may elect to shut down his factories. By so doing, he loses all productive capacity, but cuts his fixed expenses for the factory effected in half. The decision to shut down must be made during the sixth phase (capital improvements) of the month preceding the shut-down period. However, a corporation must decide to reinstate operations 2 months before such operations may be resumed. The decision to reinstate operations must be made during the sixth phase of the second month preceding the month in which operations are to resume. For instance, if you decide to shut down in March, you pay $\frac{1}{2}$ the amount of Fixed Expenses beginning in April. In April, you may decide to re-instate operations. The factory does not come into production until June. Full amount of Fixed Expenses is paid in June.

DEPRECIATION

Factories depreciate in value each year in a "straight line" manner at the rate of 10% per year. **EXAMPLE:** If the purchase price of all Factories is \$10,000, then Depreciation would be \$1,000 each year. Factory value then becomes \$9,000. However, the following year's Depreciation is based on the purchase price, not the depreciated value of \$9,000. The depreciation suffered during a year of business is listed on the *Profit and Loss Statement* when closing the books for the year, and the factories must be listed on the *Balance Sheet* at their depreciated value. Loan value is based on the depreciated value of a factory.

GAME ENDING DETAILS

Although the **BASIC BUSINESS** game may end in a variety of ways, players must complete a *Profit and Loss Statement*, and complete a *Balance Sheet* at the end of each calendar year if playing a calendar or clock version. Instructions regarding completion of the P&L Statement are printed on the Running Record Sheet. Ignore *Investment Credit* & *Work Incentive* tax credits in the Basic Business version.

You are NOW ready to play the Basic Business version. Become familiar with this version before attempting the Corporate Game explained elsewhere in this folder.

Corporate Game

The Corporate Game of **BUSINESS STRATEGY** is simply the Basic Business Game plus certain additional rules designed to make the play even more realistic and complex. *It is absolutely essential that players become proficient at the Basic Business Game before attempting the Corporate Game.* Basic Business Game rules apply except where otherwise stated herein.

HOW TO WIN

In the calendar and clock versions, the player with the greatest *Net Worth* wins. *Net Worth* is determined by totalling the Stock Issued and Surplus figures shown on the Balance Sheet. In an elimination version, play proceeds until all corporations but one have gone bankrupt.

ADVERTISING

Presidents may attempt to increase the Potential Market for Finished Inventory through advertising. Advertising tends to increase consumer demand for a particular type of product throughout the entire market structure while benefitting most the firm which carries out the most extensive and effective advertising campaign. Advertising in the Corporate Game is transacted in the following manner:

Immediately after paying fixed expenses all players secretly record the amount they wish to expend the following turn for advertising purposes. This amount is recorded in the space between lines 1 and 2a and kept secret until the following turn, when the amount must be paid to the Bank. Play then proceeds as normal until the SALES portion of the following turn. At this time, the advertising expenditures of the previous turn are made public and payments made to the bank. The sum of all players' advertising expenditures is taken to determine the effect on the Potential Market for Finished Inventory. The Potential Market for Finished Inventory is expanded for that turn only at the following rate:

\$1,000 expended — 1 additional FIU
\$2,500 expended — 2 additional FIU's
\$4,500 expended — 3 additional FIU's
\$7,000 expended — 4 additional FIU's

The market may never be expanded by more than 4 FIU's on any one turn regardless of the amount allotted for advertising. Advertising costs in excess of the amount needed to buy an extra FIU are lost with no added advantage gained. In addition, the President who has spent the most money on advertising

puted on the Balance Sheet. Dividend payments are not tax deductible, and are never computed in any current or future Profit & Loss Statement.

Dividends can only be paid from Surplus. This is a matter of law — you cannot pay dividends from Stock Liability. Thus, if at the end of a year no Surplus remains, *it is not possible to pay dividends* even though an arrearage based on 10% of Book Value must be maintained. In this case, of course, the Book Value of a share has dropped below its Par, or original, Value. Before it is possible for a Surplus to exist, one must carry stock at full liability, which is to say its full Par Value.

Example (2): If, in Example (1), there is a Surplus of only \$2,000, the Book Value would be \$34,000 instead of \$40,000. The dividend requirement would be 10% of \$34,000, which comes to \$3,400. This is \$1,400 more than the Surplus figure. Therefore, the entire Surplus of \$2,000 is paid to the Bank. The remaining \$1,400 is an Arrearage and must be recorded as such on the Stock Record section.

If a Corporation has paid dividends and has no arrearages, per the foregoing, then it may issue stock.

Only one issuance of stock may take place per year per Corporation and the issuance must be done at the year end. In no single year may a Corporation issue more *shares* than an amount equal to half of the shares currently outstanding. Thus, at the end of the first year of operations, only 16 new shares may be issued.

Valuation of each share sold must be at Book Value. Thus if Book Value per share is \$1200 and 10 new shares are to be issued, the Bank must pay that price per share for a total of \$12,000 for the 10 new shares. This is done to avoid "watering down" the equity of older shares. The \$12,000 figure would be entered as a new stock liability *in full amount*.

Stock may be issued at the end of the first year of operations if circumstances allow. Dividends may not be paid, however, on the *new* shares issued at that time. All stock transactions must be "public" — other players are entitled to full disclosure.

A Corporation may, at the end of any year, "repurchase" its shares from the Bank for the Book Value plus current dividends plus 10% penalty on the total of Book Value and dividends.

TAXES

If a net profit exists, 50% of it must be paid

Classroom Game

BUSINESS STRATEGY can be expanded to allow a greater number of players and participation by the entire classroom. There are basically two ways of doing this. The easier of the two is to retain the basic structure of the four player game and simply divide the classroom into four sections or teams. Each classroom group would then elect a *Chairman of the Board* from among their number, the others becoming members of the *Board of Directors* for their particular firm. The group, led by the Chairman, then proceeds to secretly vote on all decisions to be made. Once they arrive at a decision it is secretly recorded on the Running Record Sheet in the normal manner. All votes are decided in favor of the majority with the Chairman breaking any ties that may result and generally conducting the proceedings. A new election for Chairman of the Board should be held at the end of every calendar year. The Chairman of the Board assumes the role of the President in the game's proceedings.

Another form of **CLASSROOM** Game involves increasing the number of Corporations. This can be done by simply multiplying the number of RMU's and FIU's Available on the Situation Card by the proper multiplier. For example, if a class of 15 is to participate

the instructor would multiply the "3 Player" column by 5 to decide the number of RMU's and FIU's available. The Special Situations and Minimum and Maximum Bids remain in effect. The instructor would have to produce new gameboards and tokens for the added players and keep track of sales from a large tote board (class blackboard). In a game of this nature one could expect many bankruptcies and the possibilities for merger would be quite extensive. In this way the instructor can easily illustrate how large corporations develop by allowing his students to build one from among the less fortunate companies. Those players who merge with a stronger corporation may attempt to influence his decisions but are not allowed to act in his place.

To add color to the game, the Presidents may consider their corporations to be specific competing industries, such as automobile manufacturers in the four player game. Each Finished Inventory Unit would then represent a fleet of automobiles. In the expanded **CLASSROOM** game, each corporation could be given a fictitious name (or named after its President) and strive to reach the highest profit in the industry.

General Hints on Strategy

(OR, HOW WE MAY SAVE YOU FROM A LIFETIME OF TRAUMA OUT THERE IN THE BUSINESS WORLD)

Not everyone is cut out for business. Playing this game may very well determine this for you. Those of you who have that innate 6th sense for business, need not read further. This section is designed to impart some truisms of business to that individual who is, perhaps, too conservative in nature to ever really make it in the business world.

The key to business success is *aggression*. In the game, as in real life, some chances must be taken. There will be times when it will be expedient to attempt to corner the market on RMU's. Bear in mind that there is a percentage of predictability for the Climate situation cards; there is a total of 18 of which only 12 are used per game-year (after which all are reshuffled). Five cards are extremely poor RMU buying markets: there are five

generate some sort of guarantee of an expanding market through advertising, or by the evil and devious methods delightfully built into the design for you to discover. What appears at face value to be a game of chance (*in that the RMU & FIU market is determined by the luck of the draw*) is really a game of think and counter-think containing a variety of nuances of strategy which accounted for the same few people consistently winning our design-test games. This axiom held true even when this game was marketed to the educational system under its former name, *Management*.

Quite honestly, if you find yourself in a losing streak over Business Strategy, we sincerely urge you to drop any thoughts of going into real business for yourself. Business Strategy is that realistic...

By sending in the Registration Card assembled

ties reserved in favor of the Senior Bidder is allowed to deduct \$300 from his selling bid without actually losing the amount; that is, he is paid \$300 per unit in excess of his bid for each unit sold.

EXAMPLE: It is the January turn. North allots \$600 for advertising for the following turn, East allots \$550; West allots \$500, and South makes no advertising expenditures. In February all players announce their advertising expenditures, pay their bills, and it is discovered that the total advertising commitment for all four players was \$1650. As a result, the Potential Market for Finished Inventory is increased by one unit and North is allowed to sell his units at a price \$300 above the bid he makes in the Sales portion of the turn. Note that if North is underbid in the Sales portion and is unable to sell any FIU's he cannot take advantage of his high advertising bid.

When exercising the Advertising option the *Cooperative Advertising Program* Special Situation is ignored.

DIVIDENDS AND STOCK ISSUANCE

In the CORPORATE Game, players may issue additional stock for their Corporations but in order to do so, they must establish a record of full payment of dividends. A corporation must pay a dividend equal to 10% of the Book Value of its stock each year to the Bank. *If a Corporation does not wish or plan to issue stock, it is not necessary to pay dividends although an arrearage record must be maintained on the Stock Record form.* In the event a Corporation should later decide to issue stock, and has accumulated arrearages, the total arrearage plus 10% penalty must be paid to the Bank. It is permitted to make partial dividend payments and accumulate the difference as an arrearage.

Book Value is computed as follows: On your current Balance Sheet, add Stock Liability plus Surplus and divide by the number of shares outstanding to reach the Book Value of each share. Dividends per share are based on 10% of this valuation on each share. A simpler method, of course, is to simply add Stock Liability and Surplus, paying dividends as 10% of the total.

Example (1): At the end of the first year, Stock Issued (\$32,000) and Surplus (\$8,000) equal Book Value (\$40,000). Dividends, based on 10% of \$40,000, would be paid to the Bank. Deduct \$4,000 from Cash and Surplus and re-compute the Balance Sheet. Stock Issued remains the same, but Surplus now reads \$4,000 and Cash will be \$4,000 lower.

Dividends can be paid only after taxes have been paid and Surplus has been com-

puted. If a corporation suffers a loss for one or more years and then has a profitable year, previous losses for five years back may be charged against the profit for tax purposes only. *Profit and Loss Statement or Balance Sheet* figures are unaffected except for the tax entry on the Profit and Loss Statement. For example, if a corporation lost \$5,000 over a three year period and the fourth year a net profit before taxes of \$8,000 is made, the corporation may deduct the previous loss of \$5,000 from the \$8,000, thus entering only \$3,000 in the *Net Profit Before Taxes* blank. The tax bill for that year is reduced from \$4,000 to \$1,500. Similarly, if operations were profitable for several years and then a loss is sustained, a refund of taxes paid within a five-year period from the time of the loss can be realized.

It is possible in a game between experts, or in the CLASSROOM game where there are more than 4 Presidents, that one corporation with high profits may want to merge with a near-bankrupt corporation in order to take advantage of these tax credits.

INVESTMENT CREDIT & WORK INCENTIVE

The U.S. Government provides a number of ways to encourage expansion. While the mechanics of such programs change from year to year, basically what the government does is to provide credits for the purchase of manufacturing equipment and the hiring of handicapped people, to name a few. The beauty of these programs is that such credits are *direct reductions* from the tax lien itself. For the sake of simplicity, this is built into the Corporate Game in a somewhat abstract manner; the benefits of which are derived through the amount a player spends in *processing through automated factories* (line 3b).

CLOSING PROCEDURE

At the end of the year, do the following in order:

- (1) Complete your Profit & Loss Statement (Pay taxes to Bank).
- (2) Figure up Balance Sheet.
- (3) If surplus exists, pay Dividend. Subtract Dividend payment from Surplus and Cash.
- (4) Record Dividend payments and *Arrearages* in Stock Record Section.
- (5) If additional Stock is issued, adjust Cash and Stock Issued sections of Balance Sheet.

If P&L shows a loss, subtract loss from Surplus. If any Surplus remains, you may pay a dividend even though operations in that year were unprofitable.

extremely good RMU markets. The same "five" breakdown applies to FIU markets, good and bad. Should the extreme markets appear in consecutive order for 3 months or more, you could be in trouble with either too much stock on hand (for which you pay whopping fixed expenses) or too little on hand which precludes you from making the sales necessary to obtain proper cash flow.

Do not go overboard with capital expansion until such time as you are able to

with this game you will qualify for our FREE answering service. Questions on play will be answered by our R&D staff at no charge. Please be sure to enclose a stamped, self-addressed envelope.

THE AVALON HILL COMPANY
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Other Avalon Hill Games

BUSINESS STRATEGY is just one of a full line of adult games utilizing new and original concepts designed by Avalon Hill. Adult games represent the fastest growing entertainment medium today. Avalon Hill has pioneered the adult game craze, and as leader in the field offers a complete range of authentic games tailored to real life drama. Be sure to

read the *Games of Logic* brochure included in this game set.

For current replacement parts list send a stamped, self-addressed envelope marked "parts list" to: The Avalon Hill Company, 4517 Harford Road, Baltimore, Md. 21214.



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