Mergers and Acquisition

1. A firm can buy another enterprise and integrate with the existing set up. This is referred to as merger. There are three types of merger. They are (a) Horizontal merger (b) Vertical merger (c) Conglomerate.

2. Horizontal merger represents a merger of firms engaged in the same line of business.

3. Vertical merger represents a merger of firms engaged at different stages of production in an industry.

4. Conglomerate merger represents a merger of firms engaged in unrelated lines of activities.

5. A firm allowing the bought enterprise to co-exist but bringing the management under its control is referred to as acquisition.

6. Value of the merged enterprise is expected to be greater than the values of the individual enterprises constituting the merger. The difference is called as synergy or benefit.

7. Synergy can be classified into two: (a) Income synergy and (b) Capital synergy.

8. Fill in the blanks

a. Smaller company taking over a bigger one is called as………………

b. Division of a company is made as a separate enterprise is referred to as …………………

c. Managerial team buying the managing enterprise is referred to as ……………………………

d. Benefit – Cost = ………………

e. Cost = Purchase consideration paid – Value of ………………. firm