**What is Acquisition in Finance?**

**What is the Definition of Acquisition?**

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The term acquisition refers to the corporate transaction between one company and another company. It is the transaction that involves the decision of company a to buy a part or buy the entire company b’s shares or assets. Acquisitions are made to consider controlling and building on the target company’s strengths. Another reason is for securing the synergies of the same company. The acquisition involves different types of business combinations such as acquisitions that involve both companies for survival while mergers are for one company to survive and amalgamations mean no company will survive. The company that is acquiring the shares through their purchases or the assets entitled to the target company gives the acquiring company the control over the decisions to be made for the acquired assets. The decisions are made without being required to get any approval from the shareholders of the target company.  
  
**How Does the Acquisition Work?**

In understanding the acquisition process, an example would be Company A is working on increasing their market exposure through acquisition. It should conduct research about the potential companies where they can get an acquisition. Once the target company is identified as well as its particular strengths and weaknesses, the acquiring company should make an effort to reach out to it. Contacting the target company is a way to figure out whether it is interested in an acquisition or not. The acquisition presents as a friendly takeover which is one usual way of how companies manage their acquisitions.  
  
There are instances that acquisitions are not voluntarily done. If the acquisition is forced then the target company does not approve of it. It is called a hostile takeover in contrast to a friendly takeover. The basic thing about a hostile takeover includes acquiring a company to purchase some or the entire of the target company’s shares. A hostile takeover is limited to target companies that are classified as public companies.  
  
The acquisition serves benefits for both the acquiring company and the target company. The acquiring company can do wonders to make the target company’s strengths and weaknesses for its benefit. The target company can increase its capital using the sale of its shares.

Acquisition usually takes four to six months but the number of months may be different most of the time. The span of the acquisition process is according to the aims and urgency coming from the acquiring company and the target company. The acquiring company’s attentiveness is a key factor in making the acquisition a success.  
  
**Understanding Stock Acquisition**  
  
The stock acquisition includes a buyer acquiring a target company’s stock immediately coming from the shareholders who choose to sell. Once the stocks are announced to be up for sale, potential buyers are shouldering the ownership for assets and liabilities. Buyers also assume the potential liabilities that come from the past actions of the company. The buyer is only standing in for the former owner of the stocks and the business continues to run well. In contrast to the alternative method of acquisition that refers to an asset deal, the acquisition presents as a much better deal. Once a stock acquisition is done, the target's ownership of assets and liabilities will remain the same as it was before the acquisition.  
  
**How to Use Stock Acquisition Strategies?**

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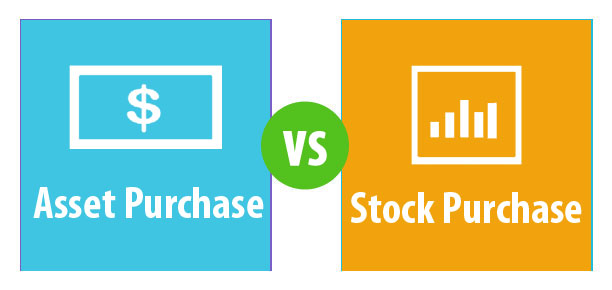
Companies who are considering a stock acquisition may primarily look for the possible growth in value of the company’s stock. It is at the same time that it stands and/or assumes both current and future liabilities of the business are little or satisfactory handled. It is due to the fact that the buyer of a stock sale receives all of the firm assets as a whole rather than having to transfer ownership of each one individually. The buyer may prefer a stock sale in times of transferring individual assets would be problematic or costly for them. Corporate finance responsibilities are responsible for making these strategic decisions.  
  
In an instance where a particular business relies more on specific licenses or either key customer or distribution agreements. The buyer may choose a stock acquisition in ensuring all licenses and agreements transfer together with the sale. In situations where large asset transfer fees are included, including sales related to the transfer of title to a fleet of vehicles and pursuing a stock sale is usually the best option. In another situation where both the buyer and the seller are considered as C companies then it means the transaction may qualify for tax-free reorganization status in specific cases.  
  
**What are the Advantages of Acquisition?**

* The acquisition appears as a corporate strategy that is a way to get access to any available set of assets, resources, and technology in getting immediate business growth and expansion. Companies can take acquisition as the help they need in achieving diversification for their business operations and products. The decision to acquire a company from another industry is a way to diminish the entry barriers of a new market.
* Once a company is decided to buy another business establishment within the same industry then its market shares experience an increase. Both the consumer and shareholder’s confidence will likely also increase.
* Acquisition paves the way to lessen the competitiveness that the acquiring company has.

**Can Acquisitions Fail?**

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Acquisitions appear to be greatly beneficial at most times once successful but it also tends to fail at certain times. For starters, there is 70-90 percent of acquisitions fail according to HRB research. The fundamental cause of these failures is the acquirer's failure to do thorough due diligence. The acquiring company must present appropriate attentiveness to their purchases. Another reason refers to the target company having a different vision and goals in contrast with the acquiring company. It usually results in frequent clashes between the two.  
  
The possibility is that the acquirer may buy a company that is overloaded with debts or has limited growth potential. It may harm the purchasing company's brand image which fails the goal of the acquisition.  
  
In some cases that the target company is within the same industry as the purchasing company, the acquiring company gets an additional or double workforce to handle the same obligations. Once the human resource restructuring is done then it raises staff costs or results in layoffs. Another possible thing to happen is both the managers and employees from two distinct companies come together. They will likely combine their goals, cultures, and mindsets but it should be expected to make differences rise so unhappiness and conflict might be the result.  
  
**What is the Difference Between Stock Acquisition and Asset Acquisition?**

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Before choosing a method of acquisition, there are some aspects to keep in mind. The risk is usually shared in a certain ratio between the target company and the purchaser or acquirer. The ratio is measured based on the company's financial situation. The acquirer company has a considerable hand in determining the deal's terms and conditions. Acquirers favor asset purchases because they gain asset depreciation benefits. In contrast, sellers prefer stock purchases due to different tax treatments in acquisition transactions. It also depends on the size of the company. In an instance of acquiring, assets from a larger company may make the process more difﬁcult and the depreciation costs may be higher.  
  
The strategies of asset acquisition and share acquisition each have their own set of benefits and drawbacks. One should carefully consider the target company's business structure and cost consequences before making a decision. In minimizing adverse situations in the future, the buyer must be extremely cautious while obtaining representations, warranties, and indemnifications from the seller. An asset purchase comes with the ability to protect the acquirer from such risks.  
  
**Conclusion**  
  
The choices available on where to allocate the capital or money in the investment world might be confusing and overwhelming. Acquisitions have become a strategy to grow and diversify a business. The acquisition strategy chosen must provide the most benefits to the company. The acquiring company should consider many factors when negotiating the transaction with the target company. The factors include tax exposure, hidden liabilities, existing contracts, and intellectual property rights before making the best decision. The acquisition strategy should be according to the company's vision and goals for the acquisition. It is important to learn more about a lot of concepts under the world of investing and trading to any potential trader or investor.