



Question 7. How high leverage is a reason for failure of merger? Explain.

Answer: The acquirer firm may decide to acquire the target through cash. To pay the price of acquisition, the acquirer may borrow heavily from the market. This creates a very high leveraged structure and increases the interest burden of the company. This increased interest cost may consume a big portion of the earnings and may lead to failure of the purpose of acquisition.

Question 8. Explain how a boardroom split is a reason for failure of merger.

Answer: When a merger is planned, evaluation of the composition of the boardroom and compatibility of the directors is crucial. Managers who are suddenly deprived of authority can react in a bitter way. Personality clashes between executives in the two companies are bound to arise. This may slow down or prevent integration of the firms.

Question 9. Explain how the regulatory issues leads to the failure of merger.

Answer: Merger requires legal approvals and has to follow a legal procedure. If any of the stakeholders are not in favour of the merger, they might create legal obstacles and slow down the entire process. This results in regulatory delays and increases the risk of deterioration for the business. So care has to be taken to ensure that regulatory hurdles and problems do not crop up, else it may lead to failure.

Question 10. Human resources issues may lead to failure of merger. Describe.

Answer: A merger is involved with job losses, restructuring and the imposition of a new corporate culture and identity. This may create uncertainty, anxiety and resentment among the company's employees. Companies often pay less attention to the short term legal and financial considerations involved in a merger and neglect crucial HR issues related to corporate identity and communication. This in turn affects the worker's morale and productivity.

Question 11. What makes concept of Goli Vada Pav so special?

Answer: Following things make the concept of Goli Vada Pav so special:

1. It is a spicy vegetable patty in bun sold through retail outlet.
2. It offers quality and hygienic fast food which is quite affordable.
3. It sells hygienically prepared food items made in fully automated 'HACCP' certified hands free plant with an authentic touch.
4. It is known as an established, reputed, and popular Indian fast-food brand offering clean food for those who have less money and time.

Question 12. Growth and development of an enterprise is inevitable. Explain.

Answer:

1. Growth is always essential for the existence of a business.
2. A business firm is bound to die if it does not try to expand its activities.
3. Growth is the next challenge for a established firm.
4. Extension is a result of thoughtful consideration of various factors, including the financial, logistical, even his/her emotional readiness.
5. There may be a niche that firm wants to capture or a location not serviced even by your competitors.

Question 13. What is the relevance of Franchising?

Answer:

1. Franchising is helping thousands of individuals be their own boss operate their own business.
2. Franchising is allowing entrepreneurs to be in business for themselves
3. There is high chance of success when an individual takes a franchisee.

Question 14. Give examples of consolidation.

Answer: In a consolidation, a new firm is created after the merger, and both the acquiring firm and the target firm stockholders receive stock in this firm. For example Citi Group, was created after the consolidation of Citicorp and Travelers Insurance Group.

Question 15. "An entrepreneur has a dual role to play- one, that of a leader and the other of a manager". Do you agree?

Answer: Yes, I agree as a leader he provides direction and energy and as a manager he processes the input and gives the output.

Question 16. If merger of Hindustan Computers Ltd, Hindustan Instruments Ltd, Indian Software Company Ltd. and Indian Reprographics Ltd into an entirely new company called HCL Ltd. Identify the forms of merger and explain the same.

Answer:

1. Merger through Consolidation/ Amalgamation.
2. Meaning: A consolidation is a combination of two or more companies into a 'new company'. In this form of merger, all companies are legally dissolved and a new entity is created. Here, the acquired company transfers its assets, liabilities and shares to the acquiring company for cash or exchange of shares.

Question 17. If Tata Fertilisers Ltd (TFL) take-up by Tata Chemicals Ltd. (TCL). TFL transferred its assets, liabilities and shares to TCL. Identify the type of merger and explain the same.

Answer:

1. Merger through Absorption
2. Meaning: An absorption is a combination of two or more companies into an 'existing company'. All companies except one lose their identity in such a merger.

Question 18. Kotak Mahindra Bank Ltd., India's fourth largest private bank, and ING Vysya, the Indian branch of the Netherlands ING Bank. Kotak Mahindra signed a Memorandum of Understanding with ING Bank, establishing both firms' stake in the Indian firm.

Answer:

1. Merger through Absorption
2. Meaning: An absorption is a combination of two or more companies into an 'existing company'. All companies except one lose their identity in such a merger.

Question 19. Atlanta-based global mobile engagement provider

mGage acquired Bangalore- based Unicel Technologies. Due to this friendly acquisition, mGage is poised to become one of India's largest provider of enterprise mobile messaging solutions.

Answer:

1. Merger through Consolidation/ Amalgamation
2. Meaning: A consolidation is a combination of two or more companies into a 'new company'. In this form of merger, all companies are legally dissolved and a new entity is created. Here, the acquired company transfers its assets, liabilities and shares to the acquiring company for cash or exchange of shares.

Question 20. "A leading manufacturer of athletic shoes merges with a soft drink firm". Identify the type of conglomerate merger the explain.

Or

Acquisition of General Foods, a diversified food products company, by Philip Morris, a Tobacco manufacturer. Identify the type of conglomerate merger and explain.

Answer: Pre conglomerate:

1. Because it involve firms with nothing in common or conducted between unrelated companies.
2. They are not the competitors.
3. Buyers and sellers so not show much relationship or no evident relationship.

Question 21. "If a baker in Delhi bakery in Indore", or a producer of household detergents buys a producer of liquid bleach. Identity the type of conglomerate mergers.

Answer: It is called as product extension mergers, where a firm that produces one product that requires the application of similar type of manufacturing or marketing techniques strategies.

***** END *****