Ans3 A merger or acquisition is a Combination of two Companies where one corporation is completely absorbed by another Corporation. The less important Company loses its identity and becomes part of the more important Corporation, which retains its identity. A merger extinguishes the merged Corporation, and the surviving corporation assumes all the rights, privileges, and liabilities of the merged Corporation. A merger is not the same as a Consolidation, in which two Corporations lose their seperate identities and Unite to form a Completely new Corporation.

Federal and State laws regulate mergers and acquisitions. Regulation is based on the Concern that mergers inevitably eliminate Competition between the merging firms. This Concern is most acute where the participants are direct rivals, because courts often presume that such arrangements are more prone to restrict output and to increase prices.

The fear that mergers and acquisitions reduce Competition has meant that the government carefully scrutinizes proposed mergers. On the other hand, since the 1980s, the federal government has become less aggressive in seeking the prevention of mergers.