

Q-3. Why do companies merge with or acquire other companies?

- Mergers and acquisitions (M&As) are the acts of consolidating companies or assets, with an eye toward stimulating growth, gaining competitive advantages, increasing market share or influencing supply chains.
- A merger describes two companies uniting, where one of the companies ceases to exist after becoming absorbed by the other.
- An acquisition occurs when one company obtains a majority stake in the target firm, which retain its name and legal structure.
- A consolidation results in the creation of an entirely new company, where the stockholders of both companies approve of the consolidation and receive common equity shares in the newly formed entity.
- The acquisition of assets occurs when one company acquires the assets of another, with the approval of the target entity's shareholders.