

A C Q U I S I T I O N S

A STUDY ON REASONS AND FINANCIAL EFFECTS
ON A SAMPLE OF COMPANIES.

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PREFACE

Acquisition is the purchase of the shares or undertaking of a company in exchange for cash, shares or other securities of the acquiring company, or partly for cash and shares or other securities.

Acquisition is made with reasons or objectives which are expected to be achieved by the acquiring company. These objectives will bring financial effects to the acquiring company.

Financial ratios can be used as tools for measuring and analysing the financial effects of the acquisition by comparing the acquiring company's pre and post acquisition financial ratios.

The degree of success of the quantitative reasons or objectives of the acquiring company upon the acquisition can be measured by relating the reasons and the results of the financial ratios.

CHAPTER 1

INTRODUCTION

1.1. An Overall View of Acquisition

Malaysia has seen some active acquisition activities in the past few years involving a wide range of international and local companies and firms.

Statement of Standard Accounting Practice 23 (SSAP 23) defines acquisition as:

The application of resources by an enterprise to obtain ownership or control of another enterprise or enterprises. The issue of shares in exchange for shares in another firm or company is an application of resources, the resources being measured by the fair value of the shares issued. The acquisition of another firm or company is one of the ways in which a company can undertake to increase its ownership or control of assets.

Acquisitions are often associated with mergers which is the coming together of two businesses to create a single group with the continuing of ownership and interest in both companies. Therefore, both mergers and acquisitions can be classified under the same group, that is business combinations.

Acquisition is one of the alternatives of business success. Planning and negotiating an acquisition requires careful and detailed analysis in order to ensure its success either financially or in other aspects. It is also