Article summary about acqusition and consolidation

Finance

Article Summary about Acquisition and Consolidation Acquisition in business is when one firm purchases another with cash, stock or a combination of the two. One company can buy another's assets for cash or stock to make greater result then the sum of their individual capabilities. This company may also be seeking; economies of scale, efficiencies and enhanced market visibility. It may wish to retain the customer list while moving other duties to their existing lines or sell off. When the target firm is agreeable the acquisition is friendly but when not then it is termed as a hostile takeover. The acquiring firm can buy target firms stakes to have bulk shares. Acquisition aims at building on strong point or weak point of the subsidiary or parent company. The acquisition can be retained or discarded depending on the performance. An evaluation on processes and how they are performing is done, and a decision is made.

Consolidation is the process of combining the financial statements of a parent company as consolidated financial statements. It is necessary for the parent company which is independent to control the subsidiary which is not independent through financial operations. This is shown when financial operations of the parent company are consolidated to the subsidiary in a financial statement. The purpose of an acquisition is for it to be successful by achieving more rapidly and gainful growth than ordinary. This can only be seen if a detailed consolidated financial statement is outlined.

The article on Google acquiring Buffer-Box http://news. cnet. com/8301-1023_3-57556528-93/google-acquires-bufferbox-provider-of-delivery-lockers/ will be the case study. Google is a multinational company which provides internet-related products and services. While, Buffer-Box is an on-line pick up site for goods and services bought online.

Both firms are based on E-commerce making this acquisition a vertical merger. This is when a customer and company share the same product lines and market.

Most e-commerce operations for Google are in Waterloo which is where most of its online shopping functions are assembled. Therefore, by acquiring Buffer-Box Google will add to its mobile shopping sector. Buffer-Box, on the other hand, fights the challenge of low customer base and gets to leverage Google's resources to grow their business.

In preparing a consolidated financial statement for the parenting company, Google and the subsidiary Buffer-Box, needs to gather the necessary paper work on cash, accounts payable and inventory. In order to avoid double-counting when making journal entries, Google should not include transactions to the subsidiary. The statement should reflect incorporated cash flow showing sales, opening and closing balances borrowed funds from Buffer-Box if any.

Buffer-box is currently offering their services for free at the moment since it has just been running for two years. On taking it up, Google will have accounts payable as it funds its operations. This money can, however, be reimbursed when Buffer-Box start charging their clients. All these must be shown in detailed notes in the financial statement for review. It must be included in the document ownership equity as Google using firm money to help the business.