

Week 7 discussion question 1 effect of a meger

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Effect of a Merger Effect of a Merger The process by which two companies combine to form one corporation is known as merger or acquisition (Duke Energy, 2012). A good example of recently merged companies involves the Duke Energy and Progress Energy. The two companies merged to form one corporation which is now called The Duke Energy Corporation. The company has created the largest electric utility in the United States (Wald, 2012).

The key driver for the merger between Duke Energy and Progress Energy is due to the low-emission of power generation and higher operating expenses by the progress energy company. Progress Energy Company faced these challenges because it had failed for annual based revenue increase of 12% with North Carolinas Utilities Commission (Munson, 2011). Through the merger, shareholders will enjoy earnings accretion, based on adjusted diluted earnings per share. I believe the value will be realized on the stakeholders because of the growth of the corporation after the merger.

Wald (2012) reveals that the new corporation has over seven million retail customers and owns about sixty seven gigawatts of generating capacity; this indicates a great growth in the corporation hence shareholders are going to benefit from the merged corporation due to increased profits than before merging.

During merging, the less important company loses its identity and becomes part of the more important company, in terms of management the important company runs almost everything in the corporation (Duke Energy, 2012). In the merger between Duke Energy and Progress Energy, progress energy has been absorbed and become a subsidiary of duke energy. The headquarter of the corporation remains in Charlotte. The accounting approach used in the merger is aimed at upholding the corporations name; they retain the name

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of the corporation. By taking total control and absorbing the other company, the corporation is able to run well without opposition from the other company.

References

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