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Financial Risks and Measures in Corporate Mergers and Acquisitions

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Abstract: In recent years, with the general strengthening of China's national strength, mergers and acquisitions have become more frequent. Mergers and acquisitions can strengthen a company's strength and achieve maximum value big. Mergers and acquisitions are complex economic activities with many interests that can involve some financial risks. Therefore, preventing financial risks has become a challenge for companies. Key factors for successful mergers and acquisitions. This article analyses various risks and their causes in the process of mergers and acquisitions and proposes some control measures.

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Introduction

So far, developed countries overseas have experienced a wave of mergers and acquisitions.

In the 1990s, foreign countries had already launched There have been five mergers and acquisitions already, and each round has been more intense than the previous one Intense. After such a long period of practical research. Research shows that corporate mergers and acquisitions have become an excellent enterprise. The best way to develop mature enterprises George, winner of the Bell Prize in Economics, also wrote this Empower enterprises with a high strategic position in mergers and acquisitions Values advocate that there are no such well-known foreign companies from an external perspective, they occurred through mergers and acquisitions and compatibility The initial wave of mergers and acquisitions by Chinese companies

In 1984, Bank of China Group and China Resources Group jointly established Hong Kong Kangli Company has also taken over and opened for business Chinese enterprises are gradually moving from immaturity to maturity Merger and acquisition channels. According to relevant statistics, domestically and the procurement market has ranked third in the Asian M&A market.

The position is sufficient to prove the development of Chinese corporate mergers and acquisitions Rapid development has brought various benefits to the domestic economy.

What benefits? But operators need to pay attention The benefits and risks of mergers and acquisitions coexist in order to obtain greater rewards, equal or Therefore, all enterprises will double their risk management Operators can handle merger and acquisition risks more reasonably matter.

1.Venture capital in modern corporate mergers and acquisitions problem analysis

1.1 Pricing risk

Pricing risk is mainly reflected in mergers and acquisitions in two aspects: 1. The pricing of the merger far exceeds that of the acquired company The actual value of square. This will trigger a wave of capital After the merger, it will not be possible to obtain costs and expected benefits.

This will also lead to higher expected liabilities and interest rates Interest burden affects the existing production and operation of enterprises Camp situation.

1.2 Financial risk

Financing refers to the use of various reasonable means by a company The activity of obtaining sufficient financial assets through finance The emergence of capital risk is related to financing methods Different methods lead to different financial risks

Exactly the same. Equity financing accompanies the disruption of company stability The risks of fixed operations and debt financing are accompanied by capital Risk of gold chain breakage and stagnation of mixed financing Post financial crisis, etc.

1.3 Debt repayment risk

Debt repayment risk is caused by corporate mergers and acquisitions generally speaking, it is caused by insufficient debt paying ability Purchasing will bring a large amount of debt to the enterprise. Therefore, the company may not be able to repay its debts on time. Business risk. Generally, companies choose long-term loans Various methods, such as loans, short-term loans, leveraged buyouts, etc. The fusion path is used to obtain sufficient funding. Regardless of the method chosen, it requires the efforts of the enterprise A certain cost is a certain degree The danger of repaying debts.

1.4 Integrate risks

After the company merger, one party will replace the other One party has the right to manage, manage, and make decisions. During this period, personnel, culture, and systems after the merger and acquisition There are significant differences in degree system, job scope, etc.

Uncertainty, together with some things the integration of risk factors affects the factors of enterprise integration risk Renowned for strategic cooperation and human resources collaboration Province, asset cooperation, etc.

2.Effective measures to control financial risks in corporate mergers and acquisitions

2.1 Transparent information and clear management objectives

As the core content of corporate mergers and acquisitions, information should be transparent and truthful Gender will directly determine the quality of business and potential financial risks in corporate mergers and acquisitions These proportions are also closely related. Inaccurate or outdated information This will seriously affect the decision-making of the management team and may lead to various problems during the acquisition process. Due to various issues, administrators must improve the transparency of information. Administrator’s request

We need to start from different levels to ensure the quality of information and fully reflect merger and acquisition activities Various practical situations of the process to improve the quality of corporate mergers and acquisitions and reduce risks. Implement effective control. Firstly, managers need to understand the actual situation of the target enterprise and have a clear understanding of the main tasks. Comprehensively analyze the business, value management model, and core competitiveness. Administrators Collect relevant data through information technology and on-site research.

In the actual process of mergers and acquisitions, understanding the specific situation of the target company and based on its authenticity Determine whether there is a merger risk based on the actual situation. When there is a risk of mergers and acquisitions, it is necessary If the risk is assessed as high, mergers and acquisitions cannot be carried out to reduce the risk.

The probability of an enterprise facing economic risks. At the same time, financial personnel also need to analyze the objectives The company’s financial statements show its operating conditions and accounting information is the main basis for pricing merger and acquisition projects. However, due to various factors Due to various factors, the accounting methods of most companies nowadays are quite flexible.

Financial statements cannot fully reflect the actual situation of the enterprise. Enterprises respond to finance Data coordination, high-quality financial statement replication, project asset integration The value is fully reflected, and the acquirer can understand the actual situation of the enterprise Administrators can make effective decisions. In the specific work process, the administrator

Properly utilize various resources, coordinate the resource system, and pay attention to other resources of the target party.

This ensures the quality of information. For example, debt risk, where debt refers to the operational processes of a business.

This is an inevitable content in China, and debt data will directly determine the financial situation The probability of danger occurring. Therefore, enterprises must combine on table and off table data resources to achieve differentiation Analyze potential pitfalls in financial statements and conduct comprehensive analysis The rationality and scientificity of risk control.

Secondly, managers also need to clarify the management objectives of the acquirer. research and development in the current M&A process, most company executives have a correct understanding and The importance of acquisition targets leads to relatively free merger and acquisition activities, lacking core content.

During the evaluation process, only the financial condition of the target company is assessed, without considering the following factors:

Comprehensive evaluation from multiple perspectives such as future prospects, core competitiveness, and cultural values These factors will affect the future development and subsequent development of the enterprise The quality of exhibitions is also closely related. Therefore, managers must clarify the purpose of the merger and acquisition Deepen the understanding of merger and acquisition risks and enhance one's ideological awareness. Play your role and carry out internal activities on a regular or irregular basis Training activities for managers to acquire financial risk knowledge

Master financial risk prevention measures and respond quickly when risks occur.

Resulting in the expansion of risks and affecting the entire M&A activity. The management also needs to switch the transmission method Fully understand the company's operating model, understand its market size, and determine its goals.

Comprehensively analyze the future development direction and production and operation mode of the enterprise to avoid confusion.

Conflicts may arise in subsequent merger and acquisition activities, resulting in financial risks. enterprise management

Managers should clarify the financial and operating capital status and combine them with the actual situation of the enterprise Comprehensively analyze the current situation to make decisions more scientific and reasonable Fundamentally reducing the possibility of financial risks, making corporate mergers and acquisitions more reasonable.

2.2 Establish a sound evaluation system and expand financing channels

The value evaluation system will directly determine the quality and financial risks of corporate mergers and acquisitions There is a close relationship between the two. Managers need to establish and understand a sound value evaluation system.

Based on the actual situation and development of the target enterprise Confirm the correctness and reasonableness of the merger and acquisition. The research results show that currently, the majority of enterprises in China There are certain problems with the enterprise value evaluation system, and managers are not familiar with it. 080 Modern Marketing Week finance and economics

Due to the lack of in-depth exploration and awareness of its importance, it has led to the occurrence of corporate mergers and acquisitions.

Pricing risks seriously affect the economic and social benefits of enterprises. So the management team

Personnel should start from different levels to reduce the probability of pricing risks and improve efficiency The success of mergers and acquisitions. The administrator conducts a comprehensive evaluation of the target enterprise to determine the objectives The value of target enterprise mergers and acquisitions. Reasonable evaluation methods can be developed during this process to avoid Avoid major errors that may cause various problems in enterprise evaluation.

To improve it Information quality requires enterprise managers to accurately analyze the comprehensive data of bidding enterprises.

Reduce M&A pricing risk through accurate analysis of financial and operational conditions

Probability. At the same time, it is necessary to adopt appropriate evaluation methods and increase the number of evaluators Comprehensive quality makes asset evaluation more standardized. Administrator available Establish an information technology evaluation model to understand the past and future development of the enterprise,

To reduce pricing risk, conduct a forward-looking assessment of the business situation. Enterprise managers construct corresponding evaluation systems based on actual situations. Reduce the probability of pricing risk occurring at the same level to ensure greater accuracy and reliability.

Improve the likelihood of successful mergers and acquisitions.

In addition, enterprises should also broaden their financing channels and build reasonable financing channels Structure. At present, most enterprises in China mainly adopt internal financing methods in the financing process Financing, stock financing, and debt financing all have certain differences under different financing methods Different. Enterprises should make reasonable choices based on their business scale, financial condition, and profitability.

Choose the appropriate financing method and conduct a thorough analysis of different financing methods The scientificity and rationality of financing structure. Methods for handling different financing methods Unlike other financing methods, financing also encounters corresponding problems. For example, in debt financing During this process, the company mainly borrows money from investors, who become creditors.

After expiration, the enterprise will repay the corresponding principal and interest according to the agreed interest between both parties This will lead to excessively high interest rates and gradually increasing merger and acquisition costs. So the enterprise Managers must balance and reduce operational risks while considering financing risks.

Thoroughly analyze risks. Enterprises should reasonably expand financing channels and combine with the Internet Evaluate business capabilities and compensation through trend expansion Comprehensively analyze the actual situation of the enterprise and formulate corresponding management systems.

Reduce the probability of financing risks occurring.

2.3 Corporate asset restructuring and innovative management mechanism

Business leaders must be aware that financial risks associated with mergers and acquisitions are not limited to the merger and acquisition process also involves corresponding risks after the completion of the transaction. Therefore, After the completion of company mergers and acquisitions, it is necessary to integrate financial risks and implement effective controls.

Firstly, managers must restructure their assets. Asset restructuring can to some extent Assist management personnel in understanding the specific assets of the company after the completion of the merger and acquisition, in order to avoid delays in the subsequent process There are many problems in the financial control process. The buyer must submit to the buyer By integrating advanced management concepts into existing businesses, effective management is provided Optimize and innovate culture and business models to enable acquiring companies to gain Obtain corresponding vitality, improve the utilization rate of company assets, and realize the business model of both parties in the merger and acquisition Unity can be achieved. Meanwhile, the buyer must also dispose of non-performing assets during the merger process.

Once completed, the integration of its assets is the main process for achieving synergies,

This is also an important way to establish the company's core competencies and innovation capabilities. According to mergers and acquisitions Once the merger and acquisition plan is completed, it is unreasonable to manage the assets of the acquired company correctly.

Assets can be sold to offset debts, or transferred in different ways non performing assets reduce the likelihood of financial risks occurring. If issued after the completion of mergers and acquisitions Serious financial risks have arisen, making it difficult for the merger results to align with the initial objectives.

Consistency, or inability to achieve merger and acquisition goals due to changes in the external environment of the company. The company must withdraw the corresponding investment to avoid significant losses.

Secondly, enterprises need to innovate their management mechanisms. The company needs to clarify two main principles Then elaborate on the principles of integration, the organic combination of financial accounting and management accounting, and make its management mechanism more accurate and reliable, and reduce the likelihood of financial risks occurring.

Firstly, the principle of integration. After the merger is completed, the acquirer must rely on the professional knowledge of its team God, make reasonable use of information technology to share various data resources, such as financial information

Improve the efficiency of data usage (including business information and information) by both parties involved in mergers and acquisitions to ensure the smooth operation of the company Integration of business models. The second is the organic combination of financial accounting and management accounting.

The principle of organic integration of financial accounting and management accounting mainly involves the merger and acquisition process.

The commercial and financial activities of postal enterprises are highly complex, therefore they need to based on the accounting reporting system as the core, plan company activities reasonably and establish Establish a planning and control system, do a good job in forecasting, and achieve full process management. Mergers and Acquisitions Managers need to rethink organizational structure, and determine the size and scale of financial institutions based on the actual situation after mergers and acquisitions, and design financial institutions reasonably. The operational management structure enables financial managers to clearly define their professional responsibilities and take them seriously. Carry out risk management work responsibly.

3.Conclusion

In a highly dynamic business environment, mergers and acquisitions of companies occur at various levels Each section has many variables. Therefore, it is necessary to fully understand and improve the risks of mergers and acquisitions.

Fine management is particularly important. The company must continuously update its risk management strategy to: Ensure that every step is down-to-earth and every decision contributes to the success of the merger and acquisition Power. Ultimately, companies that are flexible and able to seize opportunities will have more opportunities It is possible to write one's own brilliant chapter at the forefront of the M&A wave.

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