

Assignment 1: Business Acquisitions

Due Week 3 and worth 270 points

Use the Internet or Strayer library to research two (2) publically traded U.S. companies, and download their financial statements. Assume that you are the CEO of one of the selected companies. You are responsible for gaining control over the other company. You have three (3) choices, either of which you believe that the Board of Directors will support.

- Choice 1: Your company acquires 35% of the voting stock of the target company.
- Choice 2: Your company acquires 51% of the voting stock of the target company.
- Choice 3: Your company acquires 100% of the voting stock of the target company.

Write a four to five (4-5) page paper in which you:

1. Provide a brief background introduction on both the company that you are working for and the company that you are responsible for gaining control over.
2. Specify the overall manner in which the acquisition fits into your company's strategic direction. Next, identify at least three (3) possible synergies that could occur as a result of the proposed acquisition.
3. Select two (2) out of the three (3) choices provided in the above scenario, and analyze the key accounting requirements for each of the two (2) choices that you selected. Next, suggest one (1) strategy in which you would prepare the financial statements for your company after the acquisition under each of the two (2) choices.
4. Select the choice that you consider to be the most advantageous to your company. Explain to the Board of Directors at least three (3) reasons why your selected choice is the most advantageous to the company.
5. Assume two (2) years after the acquisition, your Board of Directors wants to offer the shares back to the public in hopes of making a large profit. Assume that in each of the two (2) years your company and the target company have had exactly the same reported net income as they did in the year of acquisition. Determine the type of value, (e.g., cost of fair value) that you would use to report the subsidiary's net asset in the subsidiary's financial statements, which the company will distribute to the public with the public offering. Provide support for your rationale.
6. Use at least three (3) quality academic resources in this assignment. **Note:** Wikipedia and other Websites do not qualify as academic resources.

Your assignment must follow these formatting requirements:

- Be typed, double spaced, using Times New Roman font (size 12), with one-inch margins on all sides; citations and references must follow APA or school-specific format. Check with your professor for any additional instructions.

- Include a cover page containing the title of the assignment, the student's name, the professor's name, the course title, and the date. The cover page and the reference page are not included in the required assignment page length.

The specific course learning outcomes associated with this assignment are:

- Examine the various methods of accounting for an investment in equity shares of another company.
- Analyze the accounting requirements for consolidated financial information on the date of acquisition and subsequent to the date of acquisition.
- Use technology and information resources to research issues in advanced accounting.
- Write clearly and concisely about advanced accounting using proper writing mechanics.