43 Lecture - MGT201

Important Mcqs

1. **What is a merger?**
a) The acquisition of one company by another
b) The combination of two or more companies to form a new entity
c) The transfer of assets from one company to another
Answer: b

2. **What is an acquisition?**
a) The combination of two or more companies to form a new entity
b) The acquisition of one company by another
c) The transfer of assets from one company to another
Answer: b

3. **Which of the following is a reason for M&A?**
a) Seeking growth opportunities
b) Reducing the number of employees
c) Decreasing market share
Answer: a

4. **What is the due diligence process in M&A?**
a) A process of evaluating the financial and legal aspects of a company before acquisition
b) A process of evaluating the employee performance of a company before acquisition
c) A process of evaluating the advertising and marketing strategies of a company before acquisition
Answer: a

5. **What is the difference between a horizontal and a vertical merger?**
a) Horizontal merger involves two companies in the same industry, while vertical merger involves two companies in different industries
b) Vertical merger involves two companies in the same industry, while horizontal merger involves two companies in different industries
c) Both horizontal and vertical mergers involve companies in different industries
Answer: b

6. **What is a hostile takeover?**
a) A takeover in which the acquiring company makes an offer to the target company's shareholders without the approval of the target company's board of directors
b) A takeover in which the acquiring company and target company mutually agree to the acquisition terms
c) A takeover in which the acquiring company buys only a portion of the target company's assets
Answer: a

7. **What is a leveraged buyout (LBO)?**
a) A type of M&A in which the acquiring company takes on a significant amount of debt to

finance the acquisition
b) A type of M&A in which the acquiring company pays for the acquisition in cash
c) A type of M&A in which the acquiring company offers shares of its stock in exchange for the target company's stock
Answer: a

8. **What is a white knight?**
a) A company that makes a higher offer than the original acquirer in a hostile takeover situation
b) A company that buys another company's assets without acquiring the entire company
c) A company that is the target of a hostile takeover and seeks a friendly acquirer to avoid being acquired by the original acquirer
Answer: c

9. **What is an earnout agreement?**
a) An agreement in which the target company receives additional payments based on the performance of the acquired business after the acquisition
b) An agreement in which the acquiring company receives additional payments based on the performance of the acquired business after the acquisition
c) An agreement in which the target company receives a lump sum payment for the acquisition of its business
Answer: a

10. **What is a spin-off?**
a) A process in which a company sells off a portion of its assets to another company
b) A process in which a company separates a division or subsidiary into a separate, independent company
c) A process in which a company acquires another company in the same industry
Answer: b