

The Research on Internet Enterprise m & a Risk and Its Control

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Abstract: With the rapid economic development, China's technological level has been greatly improved, especially the Internet industry. In order to allow themselves to have a larger market share and stronger competitiveness, Internet companies often carry out mergers and acquisitions of Internet companies. However, because Internet companies are very different from traditional companies, this often leads to Internet companies that often have audit risks that are different from traditional corporate M & A. This article mainly discusses the risks of Internet enterprise mergers and acquisitions and studies their control measures.

1. Introduction

With the reform of the market economy system, more and more companies are gradually studying the path of mergers and acquisitions for improving their market competitiveness, especially the Internet industry, through corporate mergers and acquisitions to maximize the benefits of the enterprise. At present, Internet M & A has been recognized by the public, such as the cooperation of Didi Taxi and Kuaidi Taxi, Meituan and Volkswagen Comments, Ctrip and Qunar.com [1]. These excellent merger cases all have something in common, that is, to obtain users' love through price wars, and subsidizing user consumption is the most commonly used method in price wars, so the competition between enterprises is very fierce. Although users are the ultimate beneficiaries of this price war, after all, fighting a price war is not a long-term plan, and it is not conducive to the development of enterprises [1]. Therefore, most enterprises have chosen to merge to achieve their own economic benefits.

2. Mergers and Acquisitions of Internet Companies

After the continuous development of Chinese Internet companies in the past two decades, many large Internet companies have emerged. Many large companies have started mergers and acquisitions in order to grow and develop, but it is undeniable that Chinese Internet companies' there are still many problems in the M & A process. The standard of division is mainly to look at the connections and differences between Internet companies in terms of industry, production and operation. Because the Internet industry has not been around for a long time, but it has been constantly developing and changing, the Internet companies mergers and acquisitions are also very different from ordinary companies [2].

3. Common Risks in Internet Enterprise Mergers and Acquisitions

3.1 Financing Risk

Fundraising risk is the main risk faced by an enterprise in mergers and acquisitions. The so-called fundraising risk is the specific risk performance during the early stage of fundraising. The vast majority of companies often use capital and financial markets to a certain extent when they make mergers and acquisitions. Especially when cash acquisition is the main payment method, companies have to raise funds in capital and financial markets [2]. The development of fundraising activities is inherently very risky, especially when carrying out large-scale mergers and acquisitions, companies often have to raise funds through multiple channels. However, in this process, companies have to pay relatively high financing costs. When the capital contribution of the two basic financing channels of

commercial banks or venture capital is obviously insufficient, the financing risk coefficient in corporate mergers and acquisitions will rise linearly. If sufficient funds are obtained in a short period of time, the company is likely to pay higher financing costs. Even if the enterprise can make a good M & A in the end, when the scale of debt is relatively large, the financing risk in the M & A is likely to be transformed into the final financial risk [3].

3.2 Tax Planning Risks

In addition to financing risks, companies also need to face tax planning risks when carrying out mergers and acquisitions, because tax costs are a cost that must be considered in the development of mergers and acquisitions [2]. However, there are some stimulating policies for corporate mergers and acquisitions at the national level, and the development of corporate mergers and acquisitions in different industries and regions can enjoy different tax optimization. This makes the tax planning work a task that must be carried out in the corporate mergers and acquisitions process [1]. However, when the tax planning work is carried out, the enterprise will need the convenience of tax planning related risks. On the one hand, many companies are familiar with the M & A process, especially the tax planning work in M & A. The number of professionals in tax integration is relatively small. It is easy for some negligence and omissions in the tax planning work. On the other hand, the tax policy is currently changing frequently. Once an enterprise conducts “excessive” tax planning, the legal risks in the process of tax planning will take place, and this risk will also become a trigger for tax planning risks. Cable.

3.3 Policy and Legal Risks

Under the market economy, any economic behavior and activities of an enterprise must be consistent with the requirements of current laws and regulations, and the development of M & A activities is no exception. Especially when some M & A activities involving sensitive industries and sensitive areas are carried out, relevant departments M & A process is closely monitored. Since the development of M & A activities needs to be consistent with the requirements of current policies and laws and regulations, policy and legal risks have also become a specific type of risk in corporate mergers and acquisitions [3]. The root cause of this problem lies in the fact that companies did not study relevant policies and laws and regulations before and during M & A activities, and the actual possibility of policy and legal risks breaking out is relatively high. On the other hand, many companies attach great importance to the acquisition of capital benefits, and it is easy to consciously carry out some “unconventional” operations in mergers and acquisitions. This will actually lead to a greater increase in the possibility of policy and legal risks [3]. The difference is that once policy or legal risks arise, mergers and acquisitions often end in failure.

4. Internet Enterprise m & a Risk Assessment

In order for Internet companies to develop better for themselves, to expand their scale and improve their competitiveness, but also because of national policy support and market resources, mergers and acquisitions of Internet companies are the general trend. However, as Internet companies are very different from traditional companies, Internet companies have stronger profitability, and the potential value and characteristics of the merged Internet companies often lead to risks at different stages of mergers and acquisitions [4]. The main points are as follows:

4.1 Risks Assessed Before m & a

If you want to carry out mergers and acquisitions of Internet companies, then you must estimate the value of the merged companies. Only if the valuation is reasonable enough and fair enough can you promote the success of corporate mergers and acquisitions [3]. However, compared with mergers and acquisitions between traditional companies, it is often more difficult to estimate the true value of Internet companies. If the evaluation method is unreasonable, it may lead to too high or too low valuation, etc., which will lead to valuation risks. .

4.2 Risk Assessment during Financing and Payment

After the M & A company selects the M & A company and completes the valuation, the two parties will start M & A negotiations. At this time, the M & A company will often choose the financing and payment methods, and there will be certain risks in this process. If the M & A enterprise chooses financing, it will not arrange the situation of the M & A enterprise in combination with its own actual situation [4]. In this case, after the M & A is completed, the M & A enterprise will receive financing debt from the M & A party, etc., which directly affects the M & A. After the success, the M & A enterprise's own capital flows.

4.3 Post-Merger Integration Risk Assessment

After the preliminary merger and acquisition company evaluation and the financing payment of both parties, it enters the final stage of merger and acquisition, which is the integration after merger and acquisition, and there are certain risks at this stage. The first is that after mergers and acquisitions, companies not only have debts to repay, but also formulate new development plans in a timely manner and integrate their own enterprise resources [5]. Only after this process can they carry out their own production and business activities. If there is a certain business overlap between the two parties of the merger and acquisition company, it will cause certain risks to the development of the post-merger enterprise, and even unfair competition within the enterprise may occur, which will cause damage to the economic benefits of the enterprise.

5. Prevention of m & a Risks of Internet Companies

Auditing plays an important role in the entire M & A process of Internet companies. Prior to the M & A, the M & A company will collect and organize the M & A company information and make a reasonable valuation. In the process of mergers and acquisitions, review the financing and payment of the merged enterprise, so as to allow the enterprise to operate and manage the merger faster. After the merger and acquisition is completed, the merger and acquisition company also needs to review its own business [6]. Only in all three processes will the review work be done, and a timely solution must be made for those problems, in order to better prevent merger risks.

5.1 Risk Prevention of Pre-Merger Evaluation

First of all, the M & A enterprise should clarify its own M & A purpose. After completing the M & A, how should the enterprise itself develop. Second, when assessing the value of the acquired party, in order to be able to conduct a more comprehensive value review, the acquiring company should review the financial status, operating status, and industry conditions of the acquired party. From these aspects, reviewing the acquired company can make the value assessment more accurate. The third point is to choose a good value evaluation method. The best evaluation method is to evaluate through the term pricing model, so that you can get more accurate and reasonable real evaluation results. For different types of Internet companies, the evaluation method should be selected in accordance with the actual situation of the company itself [6]. Only in this way can the evaluation risks be better prevented.

5.2 Risk Prevention in Mergers and Acquisitions

In order to prevent risks in the process of Internet enterprise mergers and acquisitions, then the merger and acquisition party first review the actual financial situation of the enterprise itself in order to select the appropriate payment method, and also needs to review all aspects of the merged enterprise, especially It is the debt situation of the merged company and so on. In this way, it can effectively avoid the development of the merged enterprise itself after the completion of the merger due to the debt problem. At the same time, the entire M & A process must be monitored during the M & A process [5]. If problems occur during the M & A process, relevant personnel should formulate corresponding solutions in time to ensure that both parties can successfully complete the M & A.

5.3 Post-Merger Integration Risk Prevention

After the completion of the Internet enterprise merger and acquisition, the merger and acquisition enterprise should implement its own financial management system in a timely manner, at the same time, it must also do a good job in financial management, and timely review of the value of the debt of the merger and acquisition of both parties. Before the merger, the two companies may have some differences in the corporate management framework, or there may be a certain degree of overlap in the business, so after the merger is completed, these aspects should be reviewed in a timely manner to determine whether A new enterprise management system needs to be established [4]. Not only should the development advantages of both parties before the merger and acquisition be preserved, but also to complement each other's strengths, so that the enterprise itself can develop better.

6. Measures for Internet Enterprise Merger and Acquisition Risk Control

6.1 Improve the Laws and Regulations of Internet Enterprise Mergers and Acquisitions

At present, in mergers and acquisitions process of traditional Chinese enterprises, there is not yet a very complete laws and regulations that can be relied upon. All kinds are mergers and acquisitions of Internet companies. Therefore, in order to better prevent risks in the process of mergers and acquisitions of Internet companies, the relevant legislative departments of the country should establish and improve relevant laws and regulations. Only in this way can we better control the process of mergers and acquisitions of Internet companies. First, the relevant legislative departments need to improve the laws and regulations [6]. Although China has a simple legal framework for the merger and acquisition of Internet companies, there are still many loopholes. In the actual Internet enterprise mergers and acquisitions process, many companies will Exploitation of vulnerabilities makes it difficult to prevent risks in the M & A process. Secondly, in the M & A process, both the M & A party and the M & A party, in order to be able to get more benefits during the M & A process, will provide the relevant auditors with very tempting conditions in order to be able to better deal with the M & A to prevent risks, the relevant state departments and relevant Internet companies need to regulate the behavior of auditors in the process of corporate mergers and acquisitions, and establish a perfect code of conduct system [7].

6.2 Formulate Operational Guidelines for Audits in m & a of Internet Companies

At present, although the relevant state departments have issued a very complete accounting standard system, but in the process of equity transactions, there are still great risks [6]. Although the relevant state departments have always attached importance to improving the transaction methods in the process of enterprise mergers and acquisitions, there are still many problems in the actual merger and acquisition process that urgently need to be resolved, which makes it difficult to successfully complete the merger and acquisition process of Internet companies. In the process of enterprise mergers and acquisitions, there is a situation in which the acquirer does not receive all the equity of the merged party. In this case, there is no good calculation method to calculate the profit before the merger [7]. It is precisely because there are still many audit problems in the M & A process that have not been stipulated, which makes it difficult to carry out the audit work of the M & A process. In order to reduce the risk of Internet enterprise mergers and acquisitions, relevant national departments need to formulate an audit business operation guide in accordance with actual mergers and acquisitions, in order to standardize the audit work.

6.3 Conduct a Comprehensive Audit of the Entire Process of Internet Enterprise Mergers and Acquisitions

If you want to better prevent the risks mergers and acquisitions in Internet enterprise, then you need to carry out comprehensive and detailed monitoring of the entire process of mergers and acquisitions by relevant national departments and related companies. The main purpose of monitoring the whole process is to ensure the successful completion of the Internet enterprise merger process, and to effectively prevent the risks in the merger process. In the entire M & A process, audit

work is very important. Only by doing a good job in auditing can we fully grasp the situation of the two parties and the M & A situation. At the same time, in order to better prevent the risks of M & A, we are conducting an audit. During the process, we must expand the scope of the audit and make a detailed assessment of the audit risk of the entire process [7]. Only by doing a good job in risk assessment can we better prevent M & A risks and make Internet companies' M & A work more smoothly completed.

7. Summary

The Internet is constantly developing, and the number of Internet companies is increasing. Many large Internet companies have encountered bottlenecks in development. In order to be able to develop themselves, many Internet companies have chosen corporate mergers and acquisitions. Internet companies want to develop themselves through mergers and acquisitions, then they must consider the risks of mergers and acquisitions and take corresponding preventive measures.

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