

The Performance Analysis of Enterprise Merger under the Same Control ----- in Order to Pingmei Limited Liability Company as an Example

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Abstract

In recent years, there has been a very strong wave of mergers and acquisitions around the world, especially in China. On February 15th, 2006 the Ministry of Finance issued the "Accounting Standards for Enterprises No. twentieth -- the Merger of Enterprises" and "Accounting Standards for Enterprises No. second -- Long Term Equity Investment" two principles, combining with the actual situation in China, putting forward the concept of "innovation of enterprises in the same under the control of merger", and the corresponding accounting treatment. The promulgation of these two standards makes China stand on the peak of the merger under the control of the M & A. And this type of traditional Chinese merger has got the fiery attention in academic circles. According to the previous studies, people get the result: the merger brings benefits to Target Corp. However, does it really increase your income and creates benefits for the enterprise after the merger and brings values to the society? When more and more companies join into a merger and acquisition tide, whether these mergers and acquisitions improve the performance of the main side, this problem due to the M & A performance assessment has attracted more and more attention, and adopted different methods, analyzed this problem from a different perspective, however, the conclusions can be quite different. Different kind of mergers plays an essential role in enterprise merger. The main purpose of this paper is to prove the positive benefits after merge through the analysis and Study on Pingdingshan coal company, and through the research on the coal company, to find the shortcomings under the control of the M & A events, and puts forward corresponding suggestions.

Keywords: Corporate merger under the same control; PingMei Shares Company; Performance analysis; Performance; Short-term performance; Long-term performance

1 Exordium

1.1 The Research Background and Significance

1.1.1 The Research Background

Merger, acquisition and reorganization is the eternal theme of national securities market. In recent years, the merger and acquisition activity is very active in our country, has become an important part of our social economy activity, the market structure and industrial structure of our country had a profound impact. On this background, a new wave of cost reduction, and the resulting wave of corporate restructuring mergers and acquisitions through to many enterprises. The reasons are as follows:

First, macroeconomic drives. In recent years, the world economy entered the slow growth stage of different level and even downturn, but China's economic outshine others, so many investors have great appeal to China.

Second, the market competition. The Chinese market after 20 years of market baptism, all kinds of market-oriented industry has full access to the fierce competition stage. In the face of fierce market competition, the enterprise through the large-scale to reduce costs and spread risks, so as to make the consolidation and expansion of cross-industry become inevitable.

Third, the rise of private enterprises in our country. Private economy as a powerful economic force in the Chinese economy, many ills exposed constantly along with the state-owned enterprises, the private economy is showing great vitality in the corresponding area, the development of private economy is integrated into the mainstream of China's economic development. Especially China's newly revised "securities law" and "company law" since January 1, 2006, 30% of the bid exemption threshold to the reducing of the private economy, to launch a new round of mergers and acquisitions to open the door to convenience.

On February 15, 2006, the ministry of finance issued "accounting standards for enterprises no. 20 - merger of enterprises" and "accounting standards for enterprises no. 2 - long-term equity investment" two principles, combined with the actual situation in our country, innovation put forward the concept of "under the same control enterprise merger", and clearly the corresponding accounting treatment. These innovative content in the actual transaction in how to use, is worth our attention and research.

1.1.2 The Research Significance

This article selected topic has certain practical significance. Merger, acquisition and reorganization is the eternal topic in the securities market. But, only the success of mergers and acquisitions will play a crucial role in the development of enterprises. However, due to the special historical background and the current is in a particular stage of economic development, combined with the development of M&A only a short span of 20 years of time in the true sense, thus created problems of mergers and acquisitions of listed companies in our country, the effect of mergers and acquisitions are not same. The concept "Under the same control enterprise merger" has put forward for a period of time, a nationwide implementation is also very wide, whether the M&A has brought people the expected synergies? What caused the enterprise mergers and acquisitions, what factors is crucial to the success or failure of mergers and acquisitions? These questions have no unified answer up to now. A focal point of this article is from under the same control enterprise merger, enterprise merger related theory is as the theoretical background, mainly using the research method, statistical analysis of relevant data and typical case analysis, for the performance of the acquisition under the same control enterprise merger in a proper evaluation. On the basis of the case, putting forward the corresponding suggestions.

Up to now, the general conclusion is the merger of the target company has brought benefits, but there is no unified conclusion of whether the mergers and acquisitions company on the benefit. So, this article is mainly aimed at the purchaser for research. PingMei limited liability company M&A events is based on the case under the same control enterprise merger. Through the analysis of the specific case study, we can be more powerful explanation under the same control enterprise merger has brought the purchaser what benefits.

1.2 Research Contents

In reference on the basis of predecessors' research achievements, this article has PingMei limited liability company merged in 2009 as an example, from the "short-term performance" and "long-term performance" these two angles, through the calculation of abnormal of mergers and acquisitions company short-term gains and long-term financial index to analyze the merger events of mergers and acquisitions company what benefits.

The purpose of this study is, through the theory and related data analysis and combined with specific case, analysis the performance in a business combination under the same control. By studying the various financial indicators to analyze the value of the enterprise which is purchaser after the merger.

In this paper, the main research contents include:

The first part, introduction

Putting forward problem, expounding the research background, explaining the theory meaning and realistic meaning of research, brief introduction of the research objectives, research contents and the research reviewed.

The second part, the relevant theories of performance.

This chapter mainly studied the analysis method of the M&A performance, mainly from two aspects: short-term performance and long-term performance analysis. This chapter will point out short-term performance and long-term performance evaluation method. This chapter is the theoretical basis for the next chapter case study, as the core chapter.

The third part, case analysis

This article will choose PingMei joint-stock company which was established M&A on the basis of the same control in 2009 as an example. The data of short-term performance from 30 days before the merger announcement to 10 days after the merger announcement. The data of long-term performance from 2006-2012 year-end financial statements. Through the analysis of these data to evaluate whether the acquisition brings performance for the PingMei co., LTD.

The fourth part, the present stage enterprise merger problem and suggestion in our country.

According to the analyses based on the conclusion of the third chapter in a business combination under the same control whether it makes sense, or whether bring the wanted value to enterprise. And some of the problems that existing in enterprise merger in the present stage in our country and some suggestions.

2. The Relevant Theories of M&A Performance

2.1 Relevant Concepts Defined

2.1.1 The Meaning of Merger and Acquisition

The connotation of M&A is very wide, generally refers to mergers and acquisitions. Merger and acquisition (M&A) is also called the absorption merger, refers to two or more independent companies combined into a company. Usually by the dominant enterprises absorb one or more enterprises. Acquisition refers to a business with cash or securities to buy another enterprise shares or assets, to get all the assets of the enterprise or the ownership of one asset, or control of the enterprise. Another concept related to mergers and acquisitions significance is merged, refers to two or more than two enterprises combined into a new enterprise, after the completion of the merger, multiple legal person becomes a legal person.

The essence of mergers and acquisitions is a power assignment. M&A happens in certain property rights system and under conditions of enterprise system. In the process of mergers and acquisitions, a part of right subjects through transfer their control of the enterprise for corresponding revenues, another part of the right subjects through a cost for this part of the control. The essence of mergers and acquisitions is a process of the main body of corporate power constantly exchange.

On February 15, 2006, the ministry of finance issued "accounting standards for enterprises no. 20 - merger of enterprises" and "accounting standards for enterprises no. 2 - long-term equity investment" two principles, combined with the actual situation in our country, innovation put forward the concept of "under the same control enterprise merger", and clearly the corresponding accounting treatment.

"Standard" regulation: To participate in before and after the merger of enterprises in the merger are ultimately controlled by the same party or the same multiple and the control is not temporary, as in a business combination under the same control. Definition of "the same party" means both before and after the combined enterprise which involved in the implementation of the final control of investors; "The same in every way" refers to according to the agreement between investors, on the production and operation of the invested entity published consensus decision-making exercise the voting power of two or more investors. Control is not temporary, is refers to the combination of the parties in a long period of time before and after the merger ultimately controlled by the same party or the same multiple. "A long time" usually refers to more than one year (including 1 year). In conclusion, under the same control enterprise merger is the main characteristics of the combination of the parties before and after the merger are controlled by the same party or the same multiple, and not temporary.

Normally, in a business combination under the same control refers to the merger occurs within the enterprise group. Such as the parent company will transfer the net assets of wholly owned subsidiary to the parent company and cancel the subsidiary, the parent company transfers the rights and interests of a subsidiary to another subsidiary.

2.1.2 The Concept of M&A Performance

M&A performance is realizing the M&A purpose and producing efficiency . M&A success or not, whether to achieve the expected goals, whether to raise the competitiveness of the enterprises, all these questions is the study category of the performance evaluation of M&A. So the performance evaluation of mergers and acquisitions, should first defining the meaning of performance evaluation. Performance evaluation is to evaluate the result of the behavior and the efficiency, including the behavior process (evaluate performance motivations) and behavior result(evaluate performance result). Based on the definition of the performance evaluation of the above, we can from the angle of M&A motives to define M&A performance. M&A motives is the power of mergers and acquisitions. M&A performance is to reflect the results of M&A which based on the motivation of mergers and acquisitions, so the two are inseparable. Mergers and acquisitions performance evaluation should include M&A efficiency evaluation, should also include M&A performance evaluation.

2.2 Mergers and Acquisitions Performance Evaluation Methods

Along with the development of the theory of mergers and acquisitions, mergers and acquisitions performance research methods is becoming more and more rich. M&A performance test is usually measured by the change of shareholder wealth before and after M&A, it mainly involves the four methods, namely financial indicators research method, event study method, diagnosis study method and questionnaire survey method. The first two method is the two mainstream research method in firm M&A performance in the international academic community, therefore, this chapter mainly introduces the first two kinds of research methods.

2.2.1 Event Study Method

Event study method means that a specific event on the impact of the research object, the impact can reflect through the corresponding stock price movements, its influence degree can be measured by abnormal returns. Event study is based on the efficient market theory, the enterprise mergers and acquisitions as a single event, to test the price fluctuation in the stock market effect because of the M&A event announcement, this paper used to measure the measurement index of abnormal fluctuations is excess yield rate. Will stock registration by PingMei co. LTD the announcement date for the first time as event occurs' day, defined as 0 days. Select N days before the announcement date to M days before as estimation period of anticipated yield rate, namely (-n ~ -m). The event window, choose from M working days before the announcement to M working days after the announcement, namely (-m ~ m).

Stoke excess yield rate calculation method is as follows:

(1) The stock's normal income rate $R_t = (P_t - P_{t-1}) / P_{t-1}$

Among this: R_t : The normal yield rate of stocks in the t day

P_t : Stoke in the t day's closing price

P_{t-1} : Stock in the t - 1 day's closing price

(2) The stock expected(normal) yield rate during the estimation period (-n~-m) .

$R' = (R_{-n} + \dots + R_{-m}) / (n-m)$

The stock average yield rate during the event period(-m~m)

$R'' = (R_{-m} + \dots + R_m) / 2m$

(3) Stock superior yield rate $AR_t = R'' - R'$

By comparing the superior yield rate with 0, analysis of whether the acquisition event produced a positive performance.

2.2.2 Financial Index Method

To evaluate the company's long-term performance, financial index method is often chosen. The method use public financial data such as income, profit, earnings per share, assets, liabilities, etc to analyze the M&A enterprise debt paying ability, operation ability, profit ability, growth ability . M&A announcement day as the cut-off is for the longitudinal comparison, to test the changes of performance brought by enterprise M&A. Event study method focused on the stock volatility caused by M&A events. Financial index method pay more attention to enterprise financial position, operating conditions caused by enterprise merger and acquisition, has the vital significance.

This paper from four aspects to analyze the enterprise's financial indicators, specific index selection is as follows:

1. Solvency analysis

Solvency refers to the enterprise's ability to repay debt, divided into the short-term solvency and long-term solvency. Short-term debt paying ability refers to the enterprise ability to pay current liabilities, current liabilities are in one year or within an operating cycle longer than a year to pay the debt, this part has enormous influence on the liabilities of the financial risk of the enterprise, if can't pay in time, can make the enterprise into financial difficulties, in danger of collapse. This article selects the short-term debt paying ability index has three, respectively is:

Current ratio = current assets/current liabilities

Quick ratio = quick assets/current liabilities

Cash ratio = cash/current liabilities

Long-term debt paying ability refers to the enterprise to repay the ability of long-term debt. For enterprise's long-term debtor and owner, they not only care about enterprise's short-term debt paying ability, more concerned about the long-term debt paying ability of the enterprise, so that the debtor and investors fully understand the solvency of enterprises and financial risk. Reaction enterprise long-term solvency indicators are:

Asset-liability ratio = total debt/total assets

Shareholders' equity ratio = total shareholders' equity/total assets

Equity ratio = total liabilities/total Stockholders' equity

2. Operation Ability Analysis

Operation ability reflects the enterprise capital turnover situation, can reflect the operating condition and management level of enterprises cash flow condition. Specific indicators are as follows:

(1) Accounts receivable turnover ratio = credit sales net income/average balance of accounts receivable

(2) Inventory turnover ratio = cost of sales/inventory average balance

(3) Current assets turnover ratio = sales revenue/current assets average balance

(4) Fixed asset turnover ratio = sales revenue/fixed assets average balance

(5) Total assets turnover ratio = sales income/assets average balance

3. Analysis of Profitability

Profitability is the enterprise profit ability. Profit is an important management goal of enterprise, is the material basis of enterprise survival and development .It is not only related to the investment income of the owners, and it is a important guarantee for enterprises to repay debt. Therefore, the enterprise creditors, owners and managers are very concerned about the profitability of the enterprise. All of enterprise business activities can affect the profits and evaluating financial ratios of corporate profitability by the following:

Return on assets = net income/average total assets

Return on equity = net income/average total stockholders' equity

Sales net interest rate = net income/total sales revenue

4. Growth Ability Analysis

Growth ability, also call the development ability, is refers to the process of growth ability in business activities , such as the expansion of scale, the continuing growth of profit, enhance market competitiveness, etc. Reflecting the enterprise growth ability 's main financial indicators are:

Operating income growth rate = operating income growth this year/sales revenue last year

Asset growth rate = total assets growth/total assets at the beginning of this year

Equity capital increase rate = total shareholders' equity growth/shareholders' equity at the beginning of this year

Profit growth rate= profit growth this year /profit last year

The longitudinal comparison occurs in enterprise through the various financial ratios, to analyze what benefits of this M&A bring to the mergers and acquisitions company.

3. The Case Analysis Based on the PingMei co., LTD

3.1 PingMei co., LTD Introduction

Pingdingshan tianan coal (group) co., LTD., hereinafter referred to as PingMei co., LTD, on March 17, 1998, was registered in Henan province administration for industry and commerce. On November 23, 2006 listed in Shanghai stock exchange, stokes referred to as "PingMei shares", stock code 601666, now the registered capital is 2.361164982 billion yuan. The controlling shareholder of PingMei stake is China PingMei god horse energy chemical group co., LTD., its stake to 56.12%.

On August 23, 2009, for to keep pace with the development strategy, which of avoid horizontal competition, strengthening the coal business, increase profitability, realize overall listing of company. In its 13th meeting, the board of directors has approved the company with their own money to buy the original in PingMei group two ore overall assets and liabilities and 100% stake of Three-ring company, Qixing company and Tianli company.

On August 25, 2009, the company first release the "Pingdingshan tianan coal co., LTD. asset acquisition and related party transactions".

On September 10, 2009, the extraordinary shareholders' general meeting was held for the first time in 2009, the company with a secret ballot vote audit passed" The bill on assets acquisition and related party transactions "and" The bill on the general meeting of shareholders to authorize the board of directors to deal with concrete matters relating to the asset purchase". and with PingMei group, venture capital firms, and Kuangsheng company, Tianrun company, blasting equipment company, Three-ring company labor union and Nine-mine company unions signed the supplementary terms and conditions of "Assets transfer agreement" and "Equity transfer agreement". On September 30, 2009, the property delivery finished, actual transaction underlying assets for monetary funds to pay full of the total price is 1.0156351 billion yuan on delivery day.

3.2 The Study Method Introduction in This Paper

This article mainly from two aspects to study M&A events impact on the performance of PingMei co. LTD.

First of all is to use event study method for the short-term analysis, by calculating the excess yields to analyze short-term performance of the company because of M&A events. Because the first announcement date registered by the company is August 25, 2009, so let this date as the event occurs' day. Select in 2009 during July 15 to August 11 as estimation period of anticipated yield rate, 30 days before the first announcement to 11 working days after, the period chosen is not long, is to eliminate other factors may affect stock movements. Event period elected on August 12, 2009 to September 8, 2009, ten working days before the first announcement to ten working days after. The required data is the daily closing price from 15 July to September 8.

Then using index analysis method for the long-term analysis, through the calculation of various financial indicators annual analyze long-term performance of the company because of M&A events. The company's merger and acquisition took place in 2009, this article is through the calculation of financial indicators from 2007 to 2012, then through the longitudinal comparison to analyze the long-term performance of the company. Because if calculating the financial index of 2007 would use the data in 2006, so the data source come from the annual financial statements from 2006 to 2012.

3.3 Using Event Study Method to Study the Short-Term Performance for the Company Because of M&A Event

Event occurs' day is on August 25, 2009, estimation period of anticipated yield rate is during July 15 to August 11 in 2009. The daily closing price of the company during this period is shown as the table below:

Table 1¹

date	closing price	date	closing price	date	closing price
07-14	33.50	07-24	38.27	08-05	36.61
07-15	34.48	07-27	37.74	08-06	34.49
07-16	34.77	07-28	36.70	08-07	32.76
07-17	37.47	07-29	35.00	08-10	33.01
07-20	38.98	07-30	35.59	08-11	33.06
07-21	38.12	07-31	36.74		
07-22	39.64	08-03	36.75		
07-23	39.02	08-04	38.07		

The exceptional yields of the company's stock is calculated according to the above data collected, calculation steps are as follows:

(1)The stock's normal income rate. According to the computational formula: $R_t = (P_t - P_{t-1}) / P_{t-1}$, can calculate (-30 ~ -11) normal income rate as shown in the table below:

Table 2

R-30	R-29	R-28	R-27	R-26	R-25	R-24	R-23	R-22	R-21
2.93%	0.84%	7.78%	4.03%	-2.21%	3.99%	-1.56%	-1.92%	-1.38%	-2.76%
R-20	R-19	R-18	R-17	R-16	R-15	R-14	R-13	R-12	R-11
-4.63%	1.69%	3.23%	0.27%	3.69%	-3.84%	-5.79%	-5.02%	0.76%	0.15%

¹ Data from sina finance and economics

(2) The stock expected(normal) yield rate during the estimation period(-30~-10) , according to: $R' = (R_{-30} + \dots + R_{-11}) / 20$ The result is: $R' = 1.25\%$

(3) Stock superior yield rate. Event occurs' day is on August 25, 2009, event period is from August 12, 2009 to September 8, 2009, event period is for (-10 ~ 10). The daily closing price of this period are as follows:

Table 3²

date	closing price	date	closing price	date	closing price
08-12	30.79	08-24	31.82	09-03	28.05
08-13	32.16	08-25	30.77	09-04	28.24
08-14	31.89	08-26	30.60	09-07	28.09
08-17	28.95	08-27	29.94	09-08	29.78
08-18	29.23	08-28	28.29	09-09	29.96
08-19	26.52	08-31	25.47		
08-20	29.17	09-01	24.78		
08-21	31.40	09-02	25.52		

The yield rate of this period is as follows:

Table 4

R-10	R-9	R-8	R-7	R-6	R-5	R-4	R-3	R-2	R-1	
-6.87%	4.45%	-0.84%	-9.22%	0.97%	-9.27%	9.99%	7.64%	1.34%	-3.30%	
R 0	R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
-0.55%	-2.12%	-5.51%	-9.97%	-2.71%	2.99%	9.91%	0.68%	-0.53%	6.02%	0.60%

The average yield rate of this period: $R'' = (R_{-10} + \dots + R_{10}) / 21 = -0.34\%$

So the supernormal yield rate of the stock is: $AR_t = R'' - R' = -0.37\% - 1.25\% = -1.62\%$

Compared the resulting data with 0, because - 1.62% less than zero, so the company's superior yield brings negative effects. That is to say, the conclusion obtained by the calculation of supernormal yields is: the short-term performance of the company's merger event is negative. Following to calculate the company's long-term performance.

3.4 Using Financial Index Method to Study the Long-Term Performance for the Company Because of M&A Event

The financial index analysis method is a method for long-term performance evaluation, through the introduction of the second chapter, this article calculate the company's long-term performance from four aspects, we collect the financial data used in the following as shown in table 5:

Table 5³

Unit : million

	2006	2007	2008	2009	2010	2011	2012
Cash	186829	289622	439476	357528	285718	259829	187703
Inventory	22987.5	27739	30805.5	52852	54246.2	60278.7	81953.8
Current assets	258570	426792	740635	571274	634021	636994	537389
Fixed assets	595986	677922	895115	1013580	1208050	1329480	1548790
Total assets	854556	1104710	1635750	1584860	1842070	1966470	2086180
Receivables	2873.17	4250.3	36378.5	12952.5	18040.2	19599.1	20319.8
Current Liabilities	266515	322776	498741	641705	709591	775623	803820
Total liabilities	320375	470227	684373	783032	870505	872596	917711
Total equity	532140	634487	951378	801823	971562	1093980	1168460
Sales revenue	819796	1106090	1738060	1885040	2290460	2506860	2216940
Selling cost	691440	944667	1321150	1704340	2053590	2261500	2075090
Net margin	86228.8	110290	266920	140879	182910	177463	117034
Earnings per Share	1.17yuan	1.03yuan	2.48 yuan	1.01 yuan	1.02 yuan	0.78 yuan	0.48 yuan

² Data from sina finance and economics

³ Data from the company's annual financial statements

According to the formula, the financial indicators can be calculated as follows:

Table 6

	2007	2008	2009	2010	2011	2012	remarks
Current ratio	1.32	1.49	0.89	0.89	0.82	0.67	decline
Quick ratio	1.24	1.42	0.81	0.82	0.74	0.57	decline
Cash ratio	0.90	0.88	0.56	0.40	0.33	0.23	decline
Asset-liability ratio	0.43	0.42	0.49	0.47	0.44	0.44	essentially unchanged
Shareholders' equity ratio	0.57	0.58	0.51	0.53	0.56	0.56	essentially unchanged
Equity ratio	0.74	0.72	0.98	0.90	0.80	0.79	essentially unchanged
Accounts receivable turnover ratio	310.55	85.56	76.42	147.81	133.20	111.07	go up
Inventory turnover ratio	37.25	45.13	40.75	38.35	39.49	29.18	decline
Current assets turnover ratio	3.23	2.98	2.87	3.80	3.94	3.78	go up
Fixed assets turnover ratio	1.74	2.21	1.98	2.06	1.98	1.54	decline
Total assets turnover ratio	1.13	1.27	1.17	1.34	1.32	1.09	
Return on assets	0.11	0.19	0.09	0.11	0.09	0.06	
Return on equity	0.19	0.34	0.16	0.21	0.17	0.10	
Sales net interest rate	0.10	0.15	0.07	0.08	0.07	0.05	decline
Operating income growth rate	0.35	0.57	0.08	0.22	0.09	-0.12	decline
Asset growth rate	0.29	0.48	-0.03	0.16	0.07	0.06	first rise after falling
Equity capital increase rate	0.19	0.50	-0.16	0.21	0.13	0.07	
Profit growth rate	0.28	1.42	-0.47	0.30	-0.03	-0.34	

Through calculation of the various financial indicators, now let's analyze the long-term performance of the acquisition of the company's.

First of all to analyze the effect of solvency of the enterprise M&A events: by comparing the solvency indicators from 2007 to 2012, we found that the company's current ratio, quick ratio, cash ratio showed a trend of decline, the asset-liability ratio, equity ratio, equity ratio basic remains the same. This shows that the acquisition event is cut the company's short-term solvency, long-term solvency did not have much impact. Concluded that the M&A event does not have positive effect on enterprise's solvency.

Secondly to analyze enterprise's operating ability, we can see that in 2007-2009 operating ability is gradually decline, in 2010 there is a certain improvement, that is to say enterprise merger in 2009 brings certain effect. But from the indicators in 2010-2012 can find that the phenomenon of index fell again, this shows that enterprise operating performance is not ideal in 2010-2012, so although said initially the acquisition events in the enterprise operation ability to produce certain effect, but the effect is not sustainable. So the conclusion is the acquisition event for the enterprise operation ability does not have a positive effect.

Again to analyze profitability and growth ability of the enterprise: the change of these indicators is similar to the change of operating capacity index, shows that the acquisition events at the beginning of the enterprise has a good effect, but the effect is not sustainable, so that the M&A event does not increase profitability and growth ability of the enterprise.

3.5 Research Conclusions

To sum up: In 2009, the acquisition event, based on the same control, for PingMei co., LTD does not have a positive effect. But this is not to say that the M&A event there is no use to the enterprise, this paper mainly studies the impact on enterprise performance, not studies the effect of mergers and acquisitions from the other point.

4. The Problems and Suggestions on Enterprise Merger in Our Country at Present

4.1 The Problems on Enterprise Merger in Our Country at Present

Mergers and acquisitions of listed companies in China from 90 s to the present, has accumulated rich experience, also has made certain progress.

But compared with enterprise merger and acquisition in western countries, the mergers and acquisitions of listed companies in our country still exists many immature and non-standard parts, especially in a business combination under the same control development time is short. Our country's listed company M&A behavior has the following disadvantages:

First of all, to PingMei group as an example, the group of large state-owned enterprises, government intervention is too strong and market dominance is too weak in the process of mergers and acquisitions. Mergers and acquisitions are not for the reasonable purpose but for replace bankruptcy, mergers became the joint of weak and strong, to a certain extent, affected the enterprise M&A performance.

Second, our country's enterprise in the process of horizontal mergers and acquisitions overemphasize the expansion of enterprise scale, and ignore the constraints of enterprises achieve economies of scale. Enterprise implementation of horizontal mergers and acquisitions is mainly in order to expand the scale, to achieve economies of scale. But it is not only depends on the industry characteristics, but also depends on the technical level and management level of enterprises, so different enterprises have different optimal economic scale. And enterprises in our country facing the main problem is the low technical level, poor management, and often blindly pursue the expansion of enterprise scale. Under the restriction of these two conditions, the expansion of enterprises could not obtain the ideal effect. At the same time, the horizontal merger and acquisition is a "double-edged sword", because of blind merger or poor integration makes enterprise troubled or financial crisis, that is also an important cause lead to mergers and acquisitions in China high failure rate.

4.2 Suggestions to Enterprise Merger in Our Country

First, perfecting the legal environment, strengthening the building of enterprise merger and acquisition related legal system, building a good social environment platform for enterprise mergers and acquisitions activity, guiding the merger and acquisition activity of the enterprise to the benign development on macroscopic. To resist local protectionism, resist the illegal monopoly and reject the bad purpose of government, establish a fair M&A market, achieve a win-win situation of enterprise and market. In the path of the enterprise mergers and acquisitions continuously towards standardization and legalization. That will not only contribute to the success of mergers and acquisitions, but also contribute to the success of China's enterprises.

Second, paying attention to the performance of merger. For mergers and acquisitions of listed companies in China, despite the huge space to improve efficiency, create value. But in the background of low enterprise management level, poor resources integration ability and blind pursuit of short-term interests, which often result in some of the merger and acquisition of listed company create unexpected problems from the start. Although mergers and acquisitions had some positive effect in that year, performance deteriorated phenomenon has produced after a few years. The results often deviate from the original intention of M&A, Both sides of mergers and acquisitions ignore the merger integration is an important reason for this kind of phenomenon appeared.

Third, correcting M&A motives. Normal purpose of mergers and acquisitions is to expand the scope of production and operation, achieve the integration of supply, production and sales. Or the company want to transit to dominant event by mergers and acquisitions, improve the enterprise assets, profitability. Or realizing business synergies through mergers and acquisitions. But many merger and acquisition events of listed company have too many man-made factors in our country at present. The M&A motive is not pure, this led to the M&A behavior tends to be short-term goals, not from a long-term perspective to consider the survival and development of the enterprise. It is necessary to correct M&A motives, don't be focus on short-term interests too much, and should focus on long-term interests of enterprises and development prospects.

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