

GUIDED READING Activity 3-2

For use with textbook pages 68–73

B BUSINESS GROWTH AND EXPANSION

OUTLINING

Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary.

I. Growth Through Reinvestment

A. Estimating Cash Flows—What does cash flow represent?

B. Reinvesting Cash Flows

- 1. What can business owners do with cash flow to further help their businesses?

- 2. What can happen when cash flows are reinvested in the business?

II. Growth Through Mergers

A. Introduction

- 1. What happens when two firms merge? _____

- 2. What are five possible reasons for mergers? _____

B. Types of Mergers—What is the difference between a horizontal merger and a vertical merger?

C. Conglomerates—What is the main reason for a conglomerate to want diversification?

D. Multinationals—What are the advantages and disadvantages of multinationals?

