

File Created by [Blogging Rebirth](#) WP Plugin

[What is an IPO?](#)

This article explains a few things about Stock Market, and if you're interested, then this is worth reading, because you can never tell what you don't know.

An initial public offering is an IPO. In effect what an IPO does it takes a private company public. It is also a means for an existing company listed on one of the exchanges to spin off or create a new company from its parent company. It all sounds pretty straight forward.

Reasons for going public:

The most obvious reason for a private company to enter the public market is raising immediate liquid assets by way of offering shares in the company. Most private companies would prefer to avoid all of the burden of complying with reporting and other regulations, but sometimes a company needs to expand or generate large sums of money to keep up with competition. The reasons are the advantage of offering a chunk of the company without losing control of the company.

IPOs Past and Present:

See how much you can learn about Stock Market when you take a little time to read a well-researched article? Don't miss out on the rest of this great information.

Before the acts of a few bad apples like Enron, WorldCom and others IPOs flourished on Wall Street. From the mid 1990s to the early 2000s each day brought a new public offering to the market place. Some weeks two or three new IPOs were introduced to the public market place. There were necessary compliance issues to deal with and prices to set and then the IPO hit the market and the exchanges decided what to do with the new kid on the block. Millions and sometimes more could be generated on the first day of trading.

That was then and now there is Sarbanes-Oxley a piece of legislation that was supposed to prospectively cure the market place of cooked books, fraud and make the investor feel more secure. There are aspects of this curative piece of legislation that has provided for more transparency in corporate America. The auditor independence section makes perfect sense. It seems like common sense you want your auditor to not have a conflict of interest. The area of corporate responsibility for subordinate acts of fraud, errors and omissions makes perfect sense. Disclosure regarding debt and other adverse actions involving the company almost seems like a redundancy with other securities laws.

The effect of the Sarbanes-Oxley and other methods to cut out bad apples is that it costs a great deal of money to take a company public these days. There is the need to hire top notch consultants and extra staff to comply with the ever increasing paper work and internal structural changes. It is not a bad piece of legislation, but it is burdensome for a heretofore small private company to be able to afford. The net effect is that the IPO is an infrequent event on Wall Street. There may be other reasons in addition to Sarbanes-Oxley.

Recently, the Blackstone Group introduced an IPO to the market place. It was priced well, but overall the event was lackluster. It generated some 20 billion dollars, but all of the expectations were overstated from the hoopla that preceded the offering. Perhaps we have simply become jaded.

The IPO is a launch of a newbie. The era of "what's next," may be part of our gilded past. It could be a good thing for the market place or it could signify a final epitaph to the Horatio Alger story which was overblown in the first place.

Now that wasn't hard at all, was it? And you've earned a wealth of knowledge, just from taking some time to study an expert's word on Stock Market.

About the Author

By Suraya - [Your main sources and articles. Share your opinion and advice here!](#)

You can also find this article published on [What is an IPO?](#)