

Norwegian School of Economics and Business Administration

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FIN501-TOPICS IN CORPORATE FINANCE

2010

Two-Page Memo on IPO Underpricing

Readings:

Chapter 7, Ljungqvist, Alexander, "IPO Underpricing", in Eckbo, B. Espen (ed.), 2007, *Handbook of Corporate Finance: Empirical Corporate Finance, Volume 1*, (Elsevier/North-Holland).

Data file on IPOs

Questions:

- (1) Define "underpricing" (how it is measured)
- (2) Summarize what you think are the main arguments for why we observe underpricing
- (3) If you were the issuing firm, how would you try to minimize the underpricing cost ?