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How Does the Par Value of a Share Work?

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Abstract

This paper examines the impact of par value concept on the capital raised during IPO. The study is based on the sample of the IPO firms which went public on the Warsaw Stock Exchange from 1998 to 2013. The paper shows that the concept of par value, which was invented to protect buyers and lenders against shares being issued without corresponding assets existing, interacts with investor behaviour and can be used to improve the success of a share issue. The paper also shows that this concept is related to the equity structure of the company.

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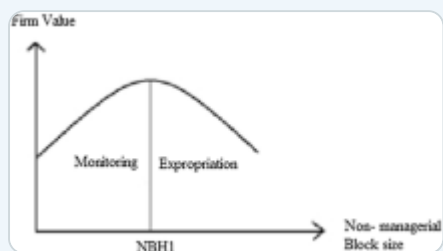
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