ANALYSIS OF BOOK VALUE PER SHARE, ISSUE PRICE AND FIRST TRADING DAY PRICE OF INITIAL PUBLIC OFFER.

A CASE IN THE NAIROBI STOCK EXCHANGE MARKET.

BY

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SIGN................................DATE...............................

A MANAGEMENT PROJECT SUBMITTED FOR PARTIAL FULFILLMENT FOR THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT BY THE UNIVERSITY OF NAIROBI.
DECLARATION.

I hereby declare that this work is my original work and has not been presented for a diploma examination in another university or for any other award.

Nyamamba Mochiemo Ericson.


Signature................................Date.______________

This work has been submitted for examination with my approval as university examiner.

Supervisor: Mr. Victor Ndambuki.

Signature................................Date.______________
ABSTRACT

Over the lead 28 years (1980 – 2008) there has been increased listing at the Nairobi Stock Exchange (NSE) market. In total there has been 30 public issues and of which 22 were initial public offers.

This study establishes the relationship between the pre-issue book value per share, the issue price and short-run (first trading day) price of IPO’s following listing at NSE. Secondary data on the three variables will be collected from public documents and analyzed using SPSSs to determine if any relationships exist.

The study findings reveal that the book value of the share a historical accounting number has little significance in predicting the issue price. The relationship between the two variables is not significant. The study findings show that the book value per share, combined with the issue price, have a significant relationship with the initial market (1st trading day) price.