

## Decision to Going Public: Review of Literature

M.I.M. Riyath<sup>a,b</sup> and D.A.I. Dayaratne<sup>c</sup>

<sup>a</sup> Faculty of Graduate Studies, Sabaragamuwa University of Sri Lanka, Belihuloya, Sri Lanka

<sup>b</sup> Department of Accountancy, Sri Lanka Institute of Advanced Technological Education

<sup>c</sup> Department of Accountancy and Finance, Sabaragamuwa University of Sri Lanka,  
Belihuloya, Sri Lanka  
mimriyath@msn.com

Becoming a public company is a significant milestone in the life cycle of a company. There are noticeable factors behind the going public decision of firms. The factors have been identified and then established as theories in literature: cost-benefit hypothesis. The review of literature reveals that companies get the going public decision based on a tradeoff between the cost and benefit of going public. However, some of such benefits can be attainable as being a private company too rather than a public company. This study is intended to critically analyze each benefit outlined in theory to evaluate the viability of the benefit in practice as being a public company. In order to achieve the objective of this study, each benefit stated, in theory, is critically analyzed, whether it can be realizable through being solely a public company rather than a private company based on the findings of previous empirical studies in different markets and in different periods. Therefore, the commonly identified benefits of going public in the previous empirical studies are listed and then each of the benefits is evaluated whether it can be attainable as being a private company or as being a public company. Based on the critical evaluation, it was revealed that raising funds from the general public was not the prime purpose of going public decision as stated in the face of Initial Public Offering (IPO). This finding may encourage future research in this area to find interesting facts about IPO.

**Keywords:** benefits of going public, cost-benefit hypothesis, going public, IPO