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Prospectus - Read Before You Invest in a Company by [Julia Roger](#)

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There is one common error that most investors commit. They do not make the efforts of going through the prospectus of a company. It may be noted, whenever a company comes out with an Initial Public Offer or IPO, it is mandatory for them to issue this document detailing every detail of the company.

The main reason why financial experts advocate referring to prospectus is because there are lot of information contained in it that gives you the freedom to know what the company intends to do in the near future. Under the existing provisions of law, whenever a company intends to derive investments through public, it is under mandatory compulsion to let the world know its intentions with the fund. Similarly, it also highlights its target market and the kind of risks that the management sees for the future.

Besides containing the company profile, it clearly outlines the company's facts and the manner it expects to meet the transparency standards. Because there are many institutional as well as retail investors, the company cannot afford to mislead them.

Yes, it is true that going through the company profile does give you a vivid picture of the company's state of affairs. However, it is presence of unique statement that makes it distinct from other types of documents. Generally, these unique statements talk at length about the company at length. It may be noted, whatever is presented in the document is mere a projection and are not the real or actual figures. Some of the areas related to these figures are total sales, units sold, money needed, etc. In order to arrive at correct projection figures, the company usually makes an internal analysis that is largely based on company's potential for business growth. Remember "some of these projections might go wrong because of unexpected natural calamities or political problems, changing economic conditions, changing trends of consumer behaviour, etc.

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