Ramasastri, A.S., *Quantitative Methods for Valuation of Financial Assets*, **Sage Publications India Pvt. Ltd.,2000, pp:199 Price 175/-.**

The book under review is intended to be a guide for the investors in making the valuation of financial assets with the help of qualitative methods and techniques. The purpose is twofold. First, the major financial instruments and their risk/return characteristics are described. Second their valuation and applications are discussed against the backdrop of quantitative methods.

People have motives for investing. For earning an adequate amount of return on investment an estimate is required to be made beforehand. It discusses in detail various of equity, bonds, portfolios and options.

Today is the age of information & technology. Computers have entered into every aspect of life and hence have also made an entry into the world of finance. A practitioner can make use of software packages to make calculations on click of a mouse button, thereby saving a lot on costs, time & energy. This book covers the related aspects in the last part & provides guidance to the practitioners. But it could be rightly said that a beginner might face problems in this aspect. An introduction about the useful financial software packages in the beginning would have added to knowledge of the readers.

The book is divided into five units, which are further bifurcated into 100 questions. All the parts are divided into four sections, which are preliminary ideas, valuation, applications and quantitative background.

Preliminary ideas give the details of financial assets, its features and other important related aspects. Valuation deals with models & ratios in relation to the financial asset. Application is regarding return & risk and performance of financial asset.

Part I of the book discusses bonds at length. Here the concepts of spot rates and forward rates are explained. In the valuation section, various topics like intrinsic value, duration of bond, convexity of a bond and zero coupon bonds are discussed in detail. The other sections give an overview of various methods of investment analysis. A few examples could have helped the reader in understanding the concept in depth. Immunization, horizon analysis and yield curve are some of the aspects dealt in the application section.

The subject matter of part II is the valuation of equity. All the preliminary issues regarding the valuation of equity are in the first part of this section. Concept of P/E ratio and its effects on bonus shares & right issue is discussed at length. Author has also thrown light on technical analysis and market efficiency hypothesis. In the qualitative background section various concepts like measures of central tendency, dispersion & Probability are discussed. But there are no examples taken to simplify the concept. Hence it makes a half picture in the minds of readers.

Part III of the book contains an elaborate discussion on portfolio. The emphasis is given on risk calculation and formation of efficient portfolio. Concept of capital market line & security market line are dealt with the help of equations. CAPM Model and optimization of portfolio are included in the valuation section.

Part IV attempts to analyze options as an efficient financial asset. Potential losses & Gains to an option holder are described in detail. Relationship between European & American option values and call & put options is discussed in detail. Black Scholes option-pricing model is also included to give reader an elaborate picture of options.

Part V emphasizes the use of computers in dealing with aforesaid financial assets. First the concept of spreadsheet is discussed & then its applications with regard to bonds, equity portfolio & options is considered. The primary aim of the book is to provide a simplified approach to the understanding of valuation of financial assets. The book has been designed in the form of questions & answers to provide an easy access to all the available information.

This handy guide provides reader with clear explanation of the general principles of valuation of financial assets. Author has tried to gain an insight in the pros and cons of holding a particular set of financial assets. But it is difficult for a learner to understand the concept in the way as the author has dealt with it. The book is moderately priced and has lucid language.

This book is expected to be helpful for the students of MBA (Finance), CS, CA, MFC, etc. The students of undergraduate programmes may be benefited from this. Even an individual investor can gain an insight into the matters pertaining to equity & bonds after reading this book.

Indian Institute of Finance
India

Shilpi Chaudhry