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Book Reviews : A.S. Ramasastri, Quantitative Methods for Valuation of Financial Assets: 100 Questions and Answers, New Delhi: Response Books, 2000, pp. 199

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A.S. Ramasastri, *Quantitative Methods for Valuation of Financial Assets: 100 Questions and Answers*, New Delhi: Response Books, 2000, pp. 199.

A much-needed book on valuation of financial market instruments has finally arrived albeit a bit late. The book would have been a hot seller had it been out seven years earlier. The era of small investors is over and the discerning eye of the small investors looking for tips from various sources is lost in the darkness of mutual funds and FIIs. During the early 1990s, when the small investors flourished, the bookstalls at the railway stations and bus stands abounded with books on how to invest in stock exchanges. These books used to sell like hot cakes by working on the sentiments of small investors without offering much education. The fundamentals and valuation of stocks were not given much credence. This book fills the gap of knowledge on financial instruments by providing academic insights. The book is attractive enough in size as a voluminous book would put off the reader and the price too is quite reasonable. The concept of the book, the style and the presentation are very user friendly and people interested in understanding financial concepts can use the book as a ready reckoner. The book is written in a very simple language and the author's efforts to simplify complex financial expressions should be commended.

All the five sections make interesting reading with the fifth one on spreadsheets being the most interesting. The reason is quite simple. While most people are aware of the use of the spreadsheets for financial analysis, very few actually know how to use them. The lacuna is on the part of the software manufacturers and the authors of the software user's manual. Most of them are software professionals and have little understanding of financial terms. The section on spreadsheets in the book provides insights about the software from the viewpoint of the finance professional.

The first four sections are the technical sections which have been covered in great detail. However, sequencing of the questions in each section and between each section leaves a lot of room for improvement. Inter- and intra-references on certain topics make it difficult for the reader to sift through pages. There are certain common quantitative calculations, which could have been put under a common section where the concepts would have been easy to understand rather than keeping to one section and providing references. The section on equity could have had more substance than presented by the author. Another lacking feature in this book that is apparent to the reader is the non-availability of live examples to prove the point in each answer.

The explanations for 'Duration' in the bonds section, H-model and Fundamental and Technical analysis in the equity section, the concepts of diversification in the portfolio section, the use of Block—Scholes in the options section and the scenario analysis in the spreadsheets section have been dealt with in an exceptional manner. The way these concepts have been explained gives an insight into the high degree of understanding and the experience of the author.

A word by way of suggestion to the author is to include trading on the Internet and management of portfolios in the era of de-materialised accounts in the next edition of the book which should come out soon. Using his in-depth knowledge, it would be a very interesting reading for investors.

The book is overall a very valuable and useful source of knowledge for all people interested in the financial markets and is a must for all libraries.

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