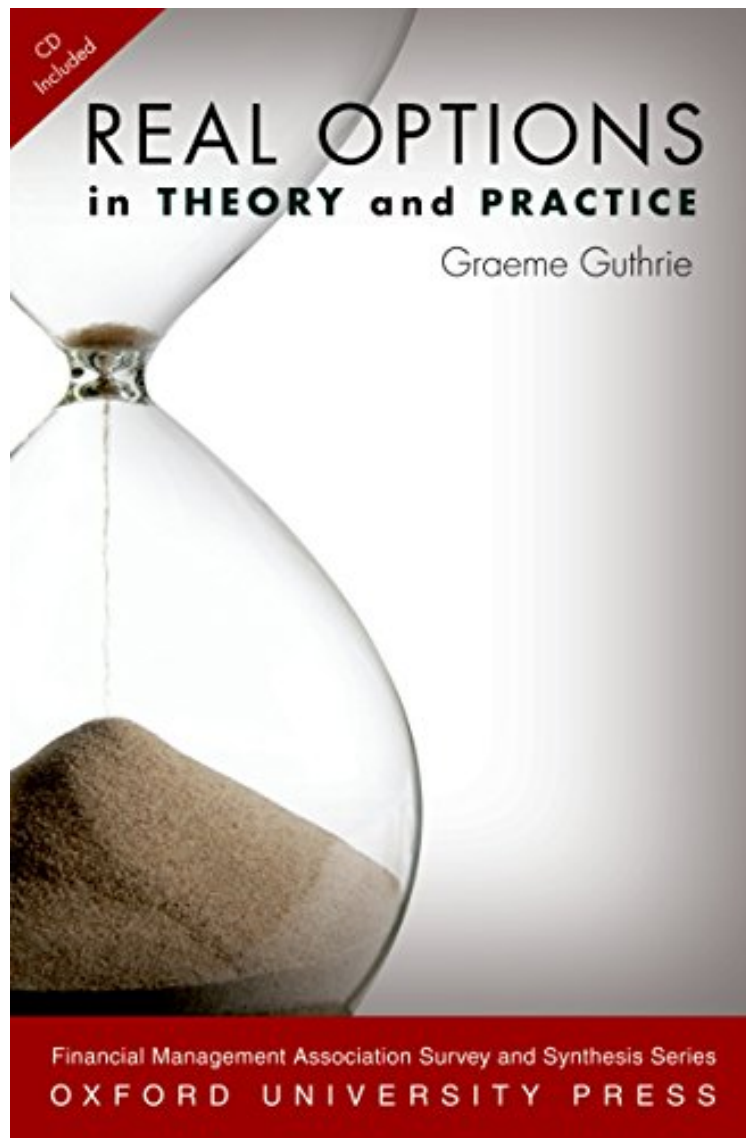


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Real Options in Theory and Practice (Financial Management Association Survey and Synthesis)

Graeme Guthrie

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Graeme Guthrie : Real Options in Theory and Practice (Financial Management Association Survey and Synthesis) before purchasing it in order to gage whether or not it would be worth my time, and all praised Real Options in Theory and Practice (Financial Management Association Survey and Synthesis):

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book. It is a contemporary book... It highlights the importance of real options to current financial world in the corporate finance. 0 of 0 people found the following review helpful. Four Stars By JayAwesome book, but not for beginners. 20 of 20 people found the following review helpful. Excellent By Cornell Grad This is an excellent book on real option analysis. My major frustration with most real options books is that they read like infomercials, successfully selling the idea that ROA is superior to NPV analysis but then they either never actually get around to telling you how to implement it, or if they do, provide 'cookie cutter' tools that are too inflexible to be useful in analyzing real world projects. What makes this book so good is that it not only covers the theory behind ROA in detail, but it actually shows you how to apply the theory to a wide variety of projects. After reading it I find myself in the pleasant situation of being more than happy to open up my spreadsheet and start modeling real world projects. All the math in the book is done in discrete time making it a lot more accessible than continuous time books, like the interesting but academic Dixit and Pindyck. Now don't get me wrong, this book is definitely not a read in one sitting airport bookshop finance book. It is quite challenging in parts. But your efforts will be rewarded with an excellent understanding of ROA.

Decision-makers in business and economics face a staggering array of problems. For example, managers of growing firms have to decide when to expand their business, governments have to decide whether to undertake large infrastructure investments, and managers of oil firms must decide how rapidly to deplete their reserves. While these problems seem quite diverse, they all share many important features. In each case, the decision-maker must choose when to take a particular action that will be potentially impossible to reverse, and the consequences of taking (or not taking) that action are uncertain. Also, the timing and nature of these actions directly affect the cash flows generated by the entities they manage. This book explains how techniques originally developed to price financial derivatives can be used to analyze real-world decisions, and provides the tools necessary to put them into practice. The real options analysis approach to decision-making is built on strong theoretical foundations, and is widely discussed in practitioner literature, but often only at a fairly intuitive level. What practitioners need-and what this book delivers-is a structured approach to systematically applying real options analysis to the wide variety of problems they will meet in business and economics. Real Options in Theory and Practice focuses on building up a general approach to solving real options problems from the ground up. Rather than aiming to build a "black box" to solve a small set of standardized real options problems, it describes the building blocks of any successful real options analysis and shows how they can be assembled in a way that is appropriate to the problem being analyzed. And for all of the numerical examples in the book, there is an accompanying CD that contains spreadsheets ready to use on the wide variety of applications the book brings into the picture. For both practitioners and academics, Real Options in Theory and Practice will serve as an authoritative and invaluable resource for those looking for effective and practical solutions to complex, real-life problems.

About the Author Graeme Guthrie is a professor in the School of Economics and Finance at Victoria University of Wellington, New Zealand. His research has appeared in the top journals on finance and economics, and as a consultant he has provided advice on a wide variety of issues in relation to agriculture, electricity, gas, real estate, and telecommunications, much of it using real options analysis.