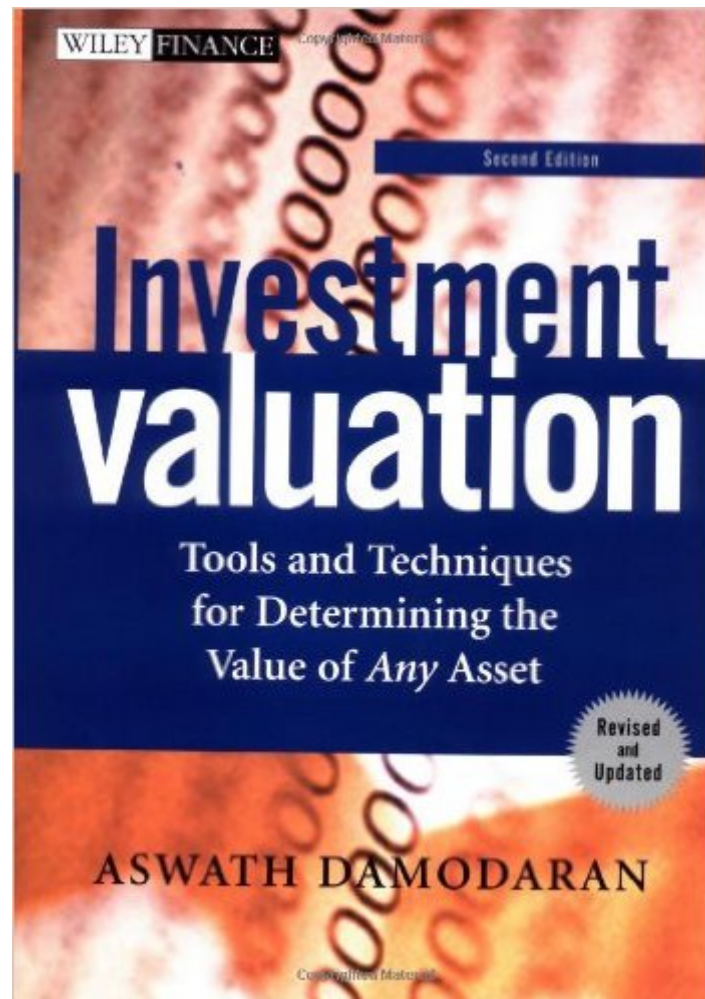


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# Investment Valuation: Tools And Techniques For Determining The Value Of Any Asset, Second Edition



## Synopsis

Investment Valuation Tools and Techniques for Determining the Value of Any Asset Valuation is at the heart of every investment decision, whether that decision is to buy, sell, or hold. But the pricing of any financial asset has become a more complex task in modern financial markets. Now completely revised and fully updated to reflect changing market conditions, Investment Valuation, Second Edition, provides expert instruction on how to value virtually any type of asset—stocks, bonds, options, futures, real assets, and much more. Noted valuation authority and acclaimed NYU finance professor Aswath Damodaran uses real-world examples and the most current valuation tools, as he guides you through the theory and application of valuation models and highlights their strengths and weaknesses. Expanded coverage addresses:

- \* Valuation of unconventional assets, financial service firms, start-ups, private companies, dot-coms, and many other traditionally valued assets
- \* Risk in foreign countries and how best to deal with it
- \* Using real option theory and option pricing models in valuing business and equity
- \* The models used to value different types of assets and the elements of these models
- \* How to choose the right model for any given asset valuation scenario
- \* Online real-time valuations that are continually updated at [www.damodaran.com](http://www.damodaran.com)

A perfect guide for those who need to know more about the tricky business of valuation, Investment Valuation, Second Edition, will be a valuable asset for anyone learning about this critical part of the investment process.

## Book Information

Series: Wiley Finance (Book 108)

Hardcover: 992 pages

Publisher: Wiley; 2nd edition (January 18, 2002)

Language: English

ISBN-10: 0471414883

ISBN-13: 978-0471414889

Product Dimensions: 7.3 x 2.3 x 9.9 inches

Shipping Weight: 4.2 pounds

Average Customer Review: 4.6 out of 5 stars [See all reviews](#) (29 customer reviews)

Best Sellers Rank: #631,755 in Books (See Top 100 in Books) #79 in [Books > Business & Money > Finance > Corporate Finance > Valuation](#) #512 in [Books > Textbooks > Business & Finance > Investments & Securities](#) #882 in [Books > Textbooks > Business & Finance > Finance](#)

## Customer Reviews

For investors subscribed to discounted cash flows valuation (DCF), there is no other books that offer the kind of in-depth analysis (both in step-by-step description and available scenarios using real companies) like this book does. Plus, Professor Damodaran maintains a free website where Excel-based valuation models and industry data are periodically updated. These features make the book invaluable. In short, if I am allowed to buy only one investment book, this is the one. But since I can buy as many books as I want, it would be more important to tell what this book does not do. First, it's always important to get a second opinion. In this case, it would be something other than DCF. Currently, DCF and relative valuation (such as PE and PV) are the dominant valuation methods used in the U.S. And yes, they are both covered in-depth by this book, in addition to the Economic Value Added method which is gaining momentum in recent years. But this book essentially dismisses the income statements in favor of cash flows statements for valuing securities, preferring DCF to relative valuation. This is certainly understandable in lights of recent manipulation of GAAP income by offenders like Enron, WorldCom and Tyco. But I believe it's important for investors to hear the voice for income statements valuation method. For that investors should get James English's Applied Equity Analysis - another must-have - as a second valuation reference book. Secondly, this book uses CAPM model for finding the discount rate. Again, it is true that CAPM is the most widely used model in the U.S.

This was a worthwhile purchase, but there are definitely some limitations with this book. Positives - Damodaran has his very excellent web-site to complement this book. He does a very thorough job of breaking down the fundamental determinants of investments from both a DCF and relative valuation viewpoint. After reading this very long and detailed book, the reader should have a solid grasp of the theoretical underpinnings of valuation. In terms of actual content, I think he does his best work in the chapters on relative valuation, fundamental growth projections, betas, risk, and the whole process of deriving cost of equity, cost of debt, and the WACC. Negatives - There are quite a few, but it doesn't diminish from my overall recommendation to purchase this book. Among the most glaring issues:- Calculation errors. This is my biggest gripe with the book. It is so mathematical and technically-oriented, and it is absolutely vital that the numbers are calculated properly. I can't tell you how many times Damodaran miscalculates his own examples. And even the answers to the problem sets that he posts on his web-site have some flagrant errors. This is simply UNACCEPTABLE because of the nature of this book.- Expository style is meandering at times. I feel that a lot of the chapters could be shortened, and sometimes, it seems like the professor goes on a tangent for the sake of being overly thorough. Very rarely, there are a some key sentences that

require re-reading; and after doing so, you think he could have written it a lot more simply. But maybe the topic itself is pretty complex, making his job more difficult.

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