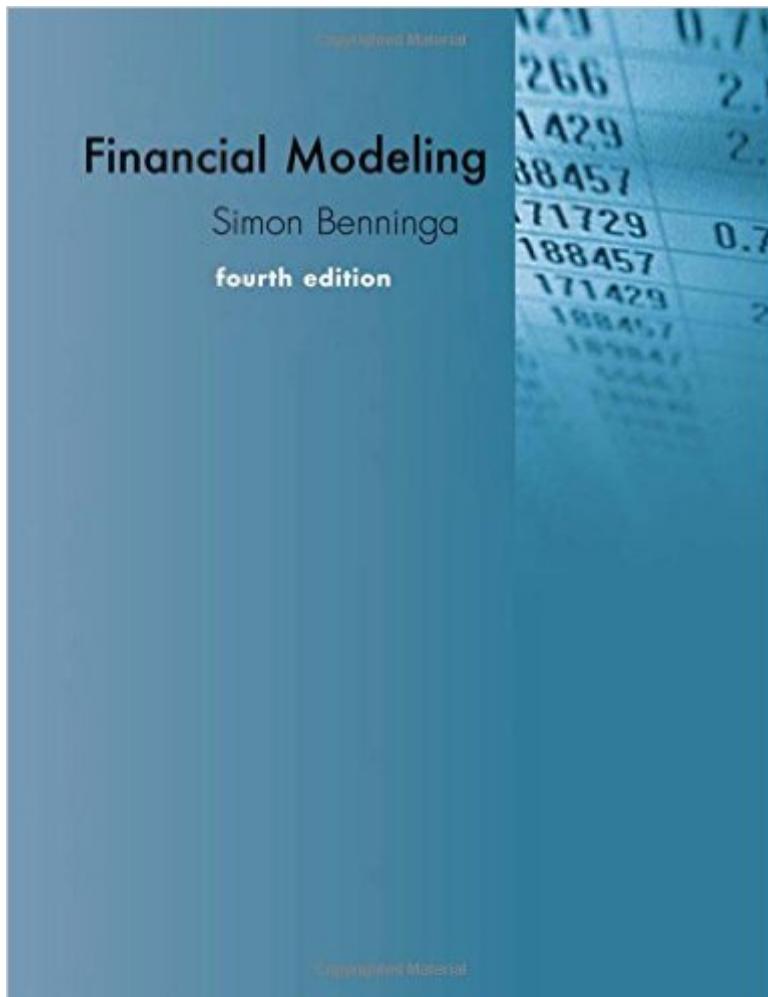


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# Financial Modeling (MIT Press)



## Synopsis

Financial Modeling is now the standard text for explaining the implementation of financial models in Excel. This long-awaited fourth edition maintains the "cookbook" features and Excel dependence that have made the previous editions so popular. As in previous editions, basic and advanced models in the areas of corporate finance, portfolio management, options, and bonds are explained with detailed Excel spreadsheets. Sections on technical aspects of Excel and on the use of Visual Basic for Applications (VBA) round out the book to make Financial Modeling a complete guide for the financial modeler. The new edition of Financial Modeling includes a number of innovations. A new section explains the principles of Monte Carlo methods and their application to portfolio management and exotic option valuation. A new chapter discusses term structure modeling, with special emphasis on the Nelson-Siegel model. The discussion of corporate valuation using pro forma models has been rounded out with the introduction of a new, simple model for corporate valuation based on accounting data and a minimal number of valuation parameters. New print copies of this book include a card affixed to the inside back cover with a unique access code.

Access codes are required to download Excel worksheets and solutions to end-of-chapter exercises. If you have a used copy of this book, you may purchase a digitally-delivered access code separately via the Supplemental Material link on this page. If you purchased an e-book, you may obtain a unique access code by emailing [digitalproducts-cs@mit.edu](mailto:digitalproducts-cs@mit.edu) or calling 617-253-2889 or 800-207-8354 (toll-free in the U.S. and Canada). Praise for earlier editions "Financial Modeling belongs on the desk of every finance professional. Its no-nonsense, hands-on approach makes it an indispensable tool." -- Hal R. Varian, Dean, School of Information Management and Systems, University of California, Berkeley" Financial Modeling is highly recommended to readers who are interested in an introduction to basic, traditional approaches to financial modeling and analysis, as well as to those who want to learn more about applying spreadsheet software to financial analysis." -- Edward Weiss, Journal of Computational Intelligence in Finance" Benninga has a clear writing style and uses numerous illustrations, which make this book one of the best texts on using Excel for finance that I've seen." -- Ed McCarthy, Ticker Magazine

## Book Information

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## Customer Reviews

I have used Simon Benninga's "Financial Modeling with Excel" for five years to teach undergraduate computational finance [...]. My thinking remains that my students have been well served by this textbook. The inadequacies that limit my assessment to four stars and need to be addressed in the third edition are: 1) frustrating errors in the text and models, for which the errata sheet and corrected models (available at: [...] only improve, but do not heal. My students find new, undocumented, errors each semester. 2) the data sets and examples are getting, frankly, a little old. It is the year 2005 as I write this, but the data sets and examples end in 1999, a year in which my current students were in high school. 3) the models, while excellent as introductions to the field, are now at the point of being fundamental, rather than exemplary. This is not Prof. Benninga's fault, but as the other reviews from professionals here attest, Excel modeling has advanced in all fields (option pricing, financial statements, portfolio optimization, bond metrics, etc). When this volume was introduced, it was adequate for helping MBA and Master of Science in Finance students build essential modeling skills. Sadly, it now is only appropriate for raw beginners or undergraduates. A new text with a larger scope that addresses advances in the fields is called for. 4) While it is a subject in itself, the book is seriously hindered by not introducing basic Monte Carlo simulation in Excel. 5) No information on downloading data from BLOOMBERG, REUTERS, and other historical and market data providers. It would add to the scope of the text, but 6) fitting DCF models to yield curves also would be welcome.

Simon Benninga's 3rd Edition of Financial Modelling with Excel is the single most useful book for finance students and professionals ever published and continues to offer an outstanding reference and textbook for students and practitioners of applied finance. For further information, please use the "Look Inside" feature and examine the Table of Contents carefully, because I will emphasize selected portions. It is difficult to overstate how useful and practical and helpful this work is for a wide

audience and Financial Modelling is the single finance book I recommend for everyone after they have taken (or read themselves) Introductory Finance. For those looking for "one-stop-shopping" for models that resemble those of professional financial analysts then there is no better value than Benninga's FM3. Benninga's FM3 is a coal-face work for those who must make financial decisions using models. There are further specialist texts in topics covered here (credit modelling, portfolio construction, option pricing), but the models in FM3 are the first advanced models applied to loans, bonds, options, and equity portfolios. Master these and then specialized texts are easier to digest. "Cookbook" metaphors are too strong and do not do this work justice, for Financial Modelling 3rd (FM3) is not a mere collection of recipes but rather topical introduction, explanation, and then direct technique. If we can make a comparison with a "cookbook" then FM3 falls somewhere between "The Joy of Cooking" and "Mastering the Art of French Cooking." "Joy" combines chapters on technique, ingredients, and tools with dense pages of endless recipes, whereas "Mastering" emphasises technique and a few well-selected recipes.

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