Synopsis

Too often, finance courses stop short of making a connection between textbook finance and the problems of real-world business. Financial Modeling bridges this gap between theory and practice by providing a nuts-and-bolts guide to solving common financial models with spreadsheets. Simon Benninga takes the reader step by step through each model, showing how it can be solved using Microsoft Excel®. In this sense, this is a finance "cookbook," providing recipes with lists of ingredients and instructions. Areas covered include computation of corporate finance problems, standard portfolio problems, option pricing and applications, and duration and immunization. The second edition contains six new chapters covering financial calculations, cost of capital, value at risk (VaR), real options, early exercise boundaries, and term structure modeling. A new technical chapter contains a potpourri of tips for using Excel®. Although the reader should know enough about Excel® to set up a simple spreadsheet, the author explains advanced Excel® techniques used in the book. The book includes chapters dealing with random number generation, data tables, matrix manipulation, and VBA programming. It also comes with a CD-ROM containing Excel® worksheets and solutions to end-of-chapter exercises.

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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