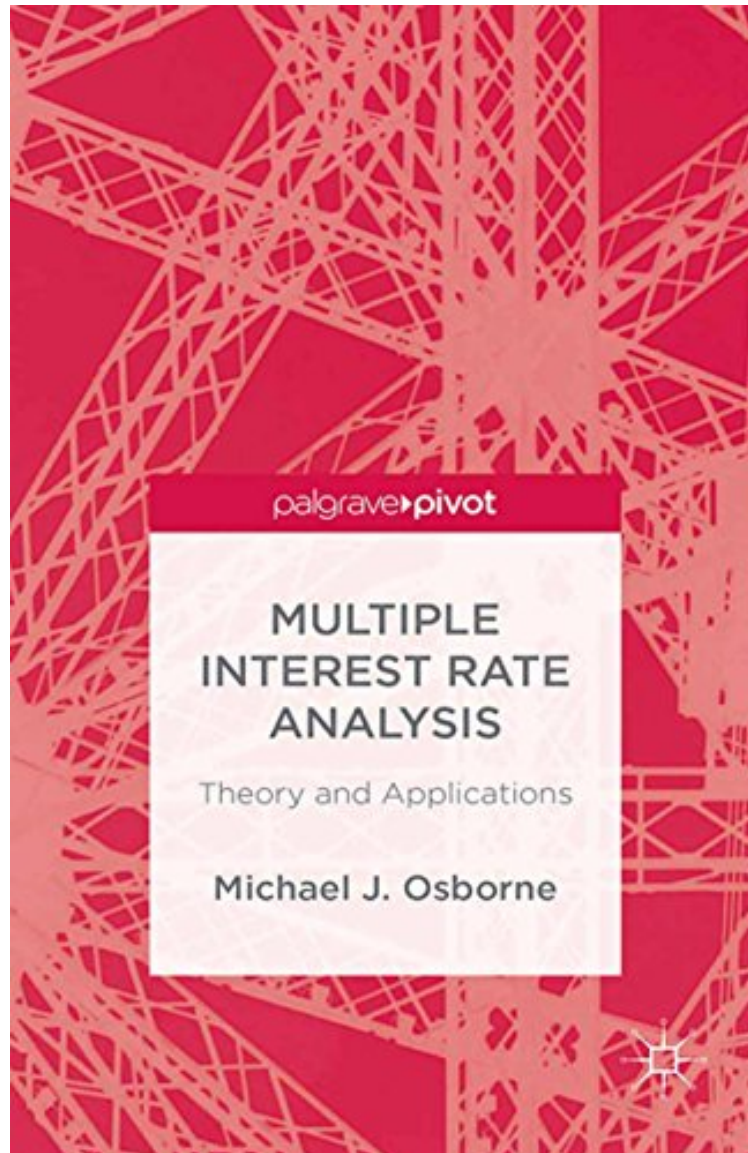


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Multiple Interest Rate Analysis: Theory and Applications (Palgrave Pivot)

M. Osborne

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M. Osborne : Multiple Interest Rate Analysis: Theory and Applications (Palgrave Pivot) before purchasing it in order to gage whether or not it would be worth my time, and all praised Multiple Interest Rate Analysis: Theory and Applications (Palgrave Pivot):

0 of 0 people found the following review helpful. A definitive explanation of the meaning and relevance of multiple-interest-rate solutions to TVM equationsBy T. CRACKThis is seminal stuff. The material in this book should have

been discovered in the 1930s, 1940s, or 1950s. Instead, it managed to evade capture until very recently. I regret not having had access to this book in the 1980s, when I first worried about these and related issues as a graduate student. I thought at that time that no further resolution existed. So, this book was an eye opener for me. It is difficult to overemphasize the importance of Osborne's work in finally putting into place that last missing piece of a jigsaw puzzle handed down from generations of previous financial economics researchers. Osborne carefully explains why multiple-interest-rate solutions to TVM equations are important, even those pesky large negative or complex-valued outcomes that other researchers are all too eager to discard. He resolves the confusion over the relationship between multiple IRRs on the one hand and NPV valuation on the other. He does this mostly via dual equations that have NPV on one side and cash flows and all roots to the IRR problem on the other. He also illustrates many of these relationships in the complex plane. He then explores applications that include the following: 1) Using a new 'charge equation' (concerning the APR and other roots versus cash flows in consumer credit contracts) to argue that the finance charges and the APR need not rank in the same order for differently structured contracts, and therefore that the focus on the APR enshrined in law may be misplaced; 2) Using the dual equation for the NPV to demonstrate that most of the traditional 'issues' with the IRR rule that arise when comparing that rule with the NPV rule are better viewed through the lens of multiple-interest-rate analysis, and that some of these issues become irrelevant when so viewed; 3) Using the dual equation for bond pricing to derive an exact expression for bond price change in response to a change in yields (as opposed to Macaulay's approximation); and, 4) Looking at the re-switching phenomenon through the lens of multiple-interest-rate analysis. Osborne's explanations are clear, and if anything, modestly understated. If you wish to reconcile the NPV and IRR techniques or understand the economic meaning of non-orthodox roots/solutions to TVM equations or explore more deeply any of the issues mentioned above, then this is the book for you.

This book is an analysis of all possible interest rates. Dual expressions are used to solve long-standing puzzles, eliminate anomalies and draw conclusions about best practice and sound policy advice in areas of economics and finance. Topics include retail and corporate finance, capital budgeting and investment appraisal, bond risk management. An on-line model demonstrating ideas from the book is available in the Wolfram Demonstrations Project (WDP) by searching "multiple interest rate analysis" in the WDP search engine. A 'computable document' containing the model and the model's code are also available as free downloads from the site.

'I liked everything about it (except for the title, which gave me no clue about what was inside). If anyone had asked me, I would have guessed that there was nothing very new to be said about present-value equations, but you have certainly showed that conjecture to be wrong. The product of the roots of the present-value polynomial contains interesting and useful information, as the book demonstrates'. - Robert M. Solow, Nobel laureate in Economics (1987), Institute Professor, Emeritus, and Professor of Economics, Emeritus, Massachusetts Institute of Technology 'When facing complex problems that arise in the real world, one should always remember that real answers to real questions may require imagination. This book gets to the real root of such problems and more'. - Peter Carr, PhD, Global Head of Market Modeling, Morgan Stanley and Exec. Director of NYU Courant Math Finance Program About the Author Mike Osborne is a Lecturer in Finance at the University of Sussex, UK. Dr Osborne's career has spanned both academia and industry with previous positions including: Director of the MasterCard Academy, delivering payments education to banking clients in Europe; Vice President at Gulf International Bank, managing HR projects and policy; Director of Education at ACI - the Financial Markets Association - managing ACI's global education and examination program for financial market professionals; Head of Banking Studies at the Bahrain Institute of Banking Finance; and Economic Advisor in HM Treasury. Dr Osborne has a BA in Economics from Newcastle University, a Postgraduate Certificate in Education from the University of Oxford, an MA in the Economics of Money and Finance from the University of Sheffield, an MPhil in International Monetary Economics from the University of Liverpool, and a PhD in Financial Economics from Middlesex University.