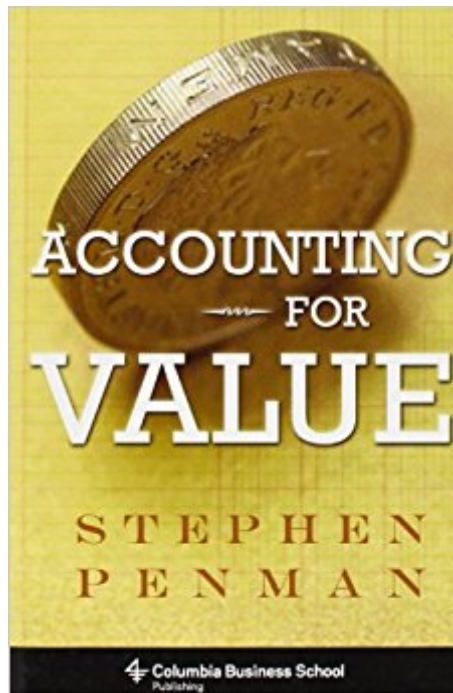




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Accounting For Value (Columbia Business School Publishing)



Synopsis

Accounting for Value teaches investors and analysts how to handle accounting in evaluating equity investments. The book's novel approach shows that valuation and accounting are much the same: valuation is actually a matter of accounting for value. Laying aside many of the tools of modern finance—the cost-of-capital, the CAPM, and discounted cash flow analysis—Stephen Penman returns to the common-sense principles that have long guided fundamental investing: price is what you pay but value is what you get; the risk in investing is the risk of paying too much; anchor on what you know rather than speculation; and beware of paying too much for speculative growth. Penman puts these ideas in touch with the quantification supplied by accounting, producing practical tools for the intelligent investor. Accounting for value provides protection from paying too much for a stock and clues the investor in to the likely return from buying growth. Strikingly, the analysis finesses the need to calculate a "cost-of-capital," which often frustrates the application of modern valuation techniques. Accounting for value recasts "value" versus "growth" investing and explains such curiosities as why earnings-to-price and book-to-price ratios predict stock returns. By the end of the book, Penman has the intelligent investor thinking like an intelligent accountant, better equipped to handle the bubbles and crashes of our time. For accounting regulators, Penman also prescribes a formula for intelligent accounting reform, engaging with such controversial issues as fair value accounting.

Book Information

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Customer Reviews

Penman's book...contains gems on every page to the point that no one who deals with the market in any capacity should pass by this text until they have committed to memory as many points therein as their limited, mortal, human brains, can hold. (Anthony Harrington QFinance Blog)I highly recommend the essential and fundamentals oriented book Accounting for Value by Stephen Penman, to anyone who is serious about investing in sound, fundamental stocks. This book will benefit the beginning or experienced investor, accountants, and anyone interested in the coupling of accounting with equity valuation. (Blog Business World)For a practical book that will help you understand the use of accounting in understanding stock valuation, Accounting for Value is the resource you are looking for you. (Stocker Blog)

Stephen Penman is George O. May Professor of Accounting and Morgan Stanley Research Scholar at the Columbia Business School. He is the author of Financial Statement Analysis and Security Valuation, for which he received a Wildman Medal Award, and an editor of the Review of Accounting Studies.

This is an interesting complement to *Valuation: Measuring and Managing the Value of Companies*, 5th Edition (Wiley Finance), which presents a finance perspective on valuation (read cash flow). The current book presents an accounting perspective on valuation. The writing style is not totally clear and I've seen some articles in Financial Analysts Journal by the same author that are more clearly written. Still this book will give you a lot of interesting ideas if you are professional engaged in valuation of mostly listed companies. The author also has a textbook treatment which is worth a look

Excellent book about using accounting information for valuation.I highly recommend read this book with Damodaran's valuation books.This will give you immense insights.

Excellent companion to the Professor Penman's textbook. Biggest lesson: clearly define and separate the known from the assumed, and anchor on the former. This book will make you a more conservative analyst/investor.

Interesting and not too technical, common sense accounting principles in order to invest sensibly using financial statements and annual reports.

Some good points about earnings and balance sheets, I just wish the author did not throw the cash-flow statements down the drain, they are a very useful piece of information. Companies issue these statements, why not analyse them as well?

Best investing book I've read in a very long time. And I've read many.

While it's a short book in number of pages, every page requires attention and you should absorb it page by page. Highly recommended to anyone trying to understand financial statements. The book focuses on US GAAP standards, but readers can find implications to other accounting standards as well.

The best finance book to come out of Columbia University since Security Analysis. If you want to be a complete intelligent investor, Penman offers a beautiful framework for thinking about accounting.

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