

# Risk Management in Investment Decisions. Real Options Approach

*Asen Kolaksazov*

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**Asen Kolaksazov : Risk Management in Investment Decisions. Real Options Approach** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Risk Management in Investment Decisions. Real Options Approach:

Master's Thesis from the year 2012 in the subject Business economics - Investment and Finance, grade: Merit, University of Portsmouth (Business School), course: Masterarbeit - Risk Management, language: English, abstract: Numerous managers associate uncertainty with a bad outcome which should be averted. This thesis's aim is to provide the opposite view. This dissertation will reveal the strategic potential hidden in each investment. If one firm is

on the right track, it could obtain profit from the uncertainty. Uncertainty could generate value and capture a market share. Real option approach will present the way how this key aspect could be evaluated. The roots of the real option approach are derived from the emblematic formula for the finance world of Fischer Black, Robert Merton and Myron Scholes. The revolutionary in their work is that complex contracts could be evaluated. The option-pricing theory take unalterable place not only in financial but also in the real investments. In addition to this, the real option approach becomes a very powerful tool for managing the real assets. This approach could be used in a wide spectrum of managing action. For all the managers who associate uncertainty and risk with a bad aftermath, the real option approach offers a solution for their worries and could advise them with an appropriate way to operate an investment (Amram, 1999, p. vii). In this work would be made practical as well as theoretical overarching from financial to real options. Chapter 6 is very constructive and useful for future research purposes, because it is suitable contribution to risk management analysis, and it uses a combination of volatility with option pricing, which can calculate more precisely the project risk.