

long with extensive discussion of key concepts and ratios. Combined with the appendix on *pro forma* financial statements, this chapter could be used as a financial accounting refresher.

This text deserves serious consideration for its targeted market, for adult undergraduate programs, and for accelerated programs. It may also provide an alternative for those who teach very motivated undergraduates.

STEPHEN I. WELBORN  
Professor

*University of Redlands*

WANDA A. WALLACE, *Performance Measurement and Risk Monitoring* (New York, NY: RIA Group/Warren, Gorham & Lamont, 1997, pp. xii, 772).

The stated objective of *Performance Measurement and Risk Monitoring* is to describe how to set up and manage an effective monitoring system with financial and nonfinancial information to keep an entity on course of its goals while minimizing surprises along the way. This is to be achieved through 13 chapters arranged in four parts: introduction to monitoring, monitoring techniques, applying information obtained from monitoring, and evaluating research.

Although the title features both the topics "performance measurement" and "risk monitoring," the focus of the book is, as indicated by the part headings, on risk monitoring. This includes auditing, as well as using statistical techniques as data mining tools to test hypotheses and interpret the sources of problems.

Part A contains chapters on the basic elements of monitoring including key concepts and relationships. The material is presented at an introductory level, e.g. with a detailed ex-

planation of the distinction between fixed and variable costs. Several recent real-life case studies involving companies well known from the news ensure an interesting book. Part B on monitoring techniques can be considered the main part of the book. The author very competently explains how to use and interpret regression models in the context of auditing/risk monitoring. The material is presented with a wealth of informative examples. The content of Part C expands on the model-building introduced in the previous part by presenting the use of monitoring tools as a dynamic monitoring framework with follow-through on the problems identified and the testing of assumptions concerning current relationships.

Finally, Part D contains a chapter on research methods and a chapter on understanding research communication. It is unclear to me how this part contributes to the objective of the book. The chapters provide an interesting and non-advanced introduction to research and the use of research results. But the material is not related to the previous chapters and all references cited in these chapters are more than 10 years old.

In total, the 13 chapters are supplemented with more than 30 appendices containing examples, supplementary information, reprints of articles, and more. Further a separate part of the book contains an appendix with statistical tables. Some of these appendices are extremely interesting, while the relevance of others (for example, one on the origin of regression analysis) is questionable.

In summary, the text is easy to understand and requires only very limited prior knowledge of accounting and statistical techniques. The strength of the book is that it ensures

a structured approach to risk monitoring and provides a comprehensive overview of the relevant aspects of risk monitoring.

The book is in a loose-leaf format and considering the contents, it is probably written more as a handbook than as a book that one would read from cover to cover. There is no indication that the book is intended for specific types of courses, but it could be used as part of a course in auditing or risk monitoring. The material in the book is presented in a non-textbook way, but it could supplement (or be supplemented with) a traditional auditing textbook and, perhaps, some teaching cases.

PER NIKOLAJ D. BUKH  
Assistant Professor

*University of Aarhus, Denmark*

ROBERT A. HAUGEN, *Modern Investment Theory*, Fourth Edition (Upper Saddle River, NJ: Prentice Hall, Inc., 1997, pp. xviii, 748).

This comprehensive investment textbook consists of several chapters on valuing debt and equity securities, and achieves the author's intention of being a textbook for "an introductory graduate or intermediate undergraduate course in investment management" (xvii). The book could be used to teach investments in either a one-semester advanced, or two-semester course.

The first part of the book initially deals with portfolio models and techniques used to locate portfolios of investments in the efficient set, and then explains how assets are priced by the market. After a brief but clear introduction to the world of investments, the text extensively covers advanced topics such as the Markowitz procedure and the Capi-

tal Asset Pricing Model. The second half (parts 4 through 6), would be ideal for a second course, or for the second-half of a one-semester course. The second half of the book deals with application of the knowledge presented in the first three parts to practical issues in investments. Interest rate and bond management issues are dealt with fairly extensively. Pricing of derivative products takes up an entire part, and the text ends with a discussion of certain topical issues in investment management.

Several items make this text unique. The "Out on the Street" columns, the use of real-life minicases, examples and issues (such as *Wall Street Journal* quotations), all give the uninformed reader a peek into the practical aspects of investments. Chapter 3, "Some Statistical Concepts," should be definite reading for the novice, but even the advanced reader can benefit from this crisp, clear introduction to the math required to follow the text. Advanced statistical concepts are covered extensively throughout the text in various appendices (although a much higher knowledge of statistics is required to understand these appendices).

Each chapter starts with a concise preview and ends with a good summary. Most chapters try to keep the big picture in mind by conveniently referring to previous material. The clear explanations and simple examples in the body of the text help the reader quickly grasp the subject matter. These are followed by end-of-chapter questions to augment the reader's understanding. "Question Set 1" (without answers) requires answering theoretical questions, giving definitions, and performing simple calculations. "Question Set 2" (with complete