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Applying Modern Risk Management to Equity and Credit Analysis

by [Robert C. Merton](#)

Abstract

Traditional conventions of accounting and actuarial science distort the valuation of capital risk in corporations with pension plans because under these conventions, pension assets and liabilities are not included in balance sheet calculations. The modern risk management tools of derivatives technologies can improve both corporate decision making and external analysis of corporations.

Keywords: [Risk Management](#); [Valuation](#); [Financial Reporting](#); [Decision Making](#); [Credit](#); [Financial Statements](#); [Capital](#); [Equity](#); [Compensation and Benefits](#);

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About the Author



[Robert C. Merton](#)

John and Natty McArthur University Professor, Emeritus

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