

ECONOMIC VALUE ADDED

$$\begin{aligned} \text{EVA} &= \text{excess return} \\ &= \text{profit from long term funds} \\ &\quad (-) \text{cost of long term funds.} \end{aligned}$$

$$\text{financial leverage} = \frac{\text{PBIT}}{\text{PBT}}$$

profit generated :

$$\frac{\text{PBIT} \\ (-) \text{tax}}{\text{profit}}$$

or

$$\frac{\text{PAT} \\ (+) \text{int net of tax}}{\text{profit}}$$

(-) cost of funds

$$\begin{array}{l} \text{WACC} \times \text{avg cap emp.} \\ \downarrow \\ \begin{array}{l} \text{equity} \quad K_e \\ \text{debt} \quad K_d \end{array} \end{array} \quad \begin{array}{l} \text{(ESC + R\&S + debt)} \\ \text{WACC} \\ \text{Kex\%} \\ \text{Kdx\%} \\ \hline \Sigma \end{array}$$

Market value added

$$\text{MVA} = \sum \text{CPV of future EVA} \quad \leftarrow \text{discount @ WACC\%}$$

$$\begin{aligned} &\text{or} \\ &= \text{Total MP of co} \\ &\quad (-) \text{actual CE} \end{aligned}$$