EVA and CVA Better Reflect Opportunities and Threats Empirical Study in Slovenian Industries

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Abstract

Nowadays a new system of indicators, as for example Value Based Management (VBM) which better reflects opportunities and threats, is urgent and needed. Within the VBM framework the author especially focuses in this paper on the economic value added (EVA) and on the cash value added (CVA). Besides making a literature review on this topic, and shortly presenting the research methodology basically using Capital Asset Pricing Model, the author analyses and estimates advantages and disadvantages of both indicators, at first by comparing them with standardized financial indicators and then by comparing them between each other. In the empirical part, the two indicators are applied on some selected firms from various industries. At the end of this paper, the author emphasizes and advocates the thesis that a simultaneous choice of both indicators, i.e. EVA and CVA, has an important effect on managerial resources, and on the selection of a strategy as well as on the question of how investors (owners) estimate an individual firm as their potential investment.

Keywords: economic value added, market value added, cash value added, capital-asset-pricing model, coefficient beta, weighted average cost of capital