

AFRICAN JOURNAL OF
BUSINESS MANAGEMENT

Abbreviation: Afr. J. Bus. Manage. | Language: English | ISSN: 1993-8233 | DOI: 10.5897/AJBM | Start Year: 2007 |
Published Articles: 4213

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Full Length Research Paper

The ability of EVA (Economic Value Added) attributes in predicting company performance



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Article Number - 90787F521227 | Vol.5(12), pp. 4993-5000 , June 2011 |

<https://doi.org/10.5897/AJBM11.118> (<https://doi.org/10.5897/AJBM11.118>)

 Accepted: 18 February 2011 |  Published: 30 June 2011

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Abstract

In this study the major question is, can positive EVA (economic value added) outperform negative EVA in predicting company performance and either the period of study may play a vital role in explaining the variation of the stock return. The study found that neither value creator nor value destroyer had a relationship with stock return, as both models prove to be statistically insignificant. This finding is contrary to findings by Turvey et al. (2000). The value creators had a better relationship with earnings than value destroyers and this study indicates that, value creators have better earnings multiplier than value destroyers. It also indicates that, EVA had a better relationship with stock return over a longer period of the study.

Key words: Attributes of economic value added, positive economic value added, negative economic value added, company performance, stock return.

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