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FREE CASH FLOW (FCF), ECONOMIC VALUE ADDED (EVA™), AND NET PRESENT VALUE (NPV):. A RECONCILIATION OF VARIATIONS OF DISCOUNTED-CASH-FLOW (DCF) VALUATION

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ABSTR

The pap ... ionship of
free-cas ... ther and to
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Additio ... accounting
informat ... ting of
appropri ... ch (FCF) is
mathem ... omic profits
under th ... PAT), found
by adding after-tax interest payments to net profit after taxes, is central to both

approaches, but there the computational similarities end. The FCF approach focuses on the periodic total cash flows obtained by deducting total net investment and adding net debt issuance to net operating cash flow, whereas the EVA™ approach requires defining the periodic total investment in the firm. In a project valuation context, both FCF and EVA™ are conceptually equivalent to NPV. Each approach necessitates a myriad of adjustments to the accounting information available for most corporations.

Related Research Data

ON THE EQUIVALENCE OF NET PRESENT VALUE AND MARKET VALUE ADDED AS MEASURES OF A PROJECT'S ECONOMIC WORTH
Source: Informa UK Limited
The Search for the Best Financial Performance Measure
Source: Informa UK Limited
Intellectual capital efficiency and corporate book value: evidence from Nigerian economy
Source: Emerald
Discounted Cash Flow in Historical Perspective
Source: JSTOR
USING EARNINGS AND FREE CASH FLOW TO EVALUATE CORPORATE PERFORMANCE
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On the Theory of Optimal Investment Decision
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