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

RONALD E. SHRIEVES & JOHN M. WACHOWICZ JR.

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by adding after-tax interest payments to net profit after taxes, is central to both

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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: The Engineering Economist

The Search for the Best Financial Performance Measure

Source: Financial Analysts Journal

Discounted Cash Flow in Historical Perspective

Source: Journal of Accounting Research

USING EARNINGS AND FREE CASH FLOW TO EVALUATE CORPORATE PERFORMANCE

Source: Journal of Applied Corporate Finance

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