

The Engineering Economist >

A Journal Devoted to the Problems of Capital Investment

Volume 46, 2001 - Issue 1

3,840 53

Views

CrossRef citations to date

0

Altmetric

Original Articles

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

RONALD E. SHRIEVES & JOHN M. WACHOWICZ JR.

Pages 33-52 | Published online: 30 May 2007

Cite this article <https://doi.org/10.1080/00137910108967561>

Sample our
Economics, Finance,
Business & Industry Journals

>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

References

Citations

Metrics

Reprints & Permissions

Read this article

ABSTRACT

The paper assists the user of DCF methods by clearly setting forth the relationship of free-cash-flow (FCF) and economic value added (EVATM) concepts to each other and to the more... demonstrating the equivalence of the two concepts and it links the problem of selection. Additional accounting information is provided regarding the timing of appropriate FCF which (FCF) is economic profits under the PAT), found by adding after-tax interest payments to net profit after taxes, is central to both

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings

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

People also read

Recommended articles

Cited by
53

ESTIMATING THE COST OF EQUITY FOR CORPORATIONS THAT REPURCHASE: THEORY AND APPLICATION >

DOUGLAS J. LAMDIN
The Engineering Economist
Published online: 30 May 2007

NPV-COMPATIBILITY, PROJECT RANKING, AND RELATED ISSUES >

MIROSLAW M. HAJDASIŃSKI
The Engineering Economist
Published online: 6 Apr 2007

THE RELEVANT INTERNAL RATE OF RETURN >

Joseph C. Hartman et al.
The Eng
Publishe



About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All 

Essential Only

Settings

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2024 Informa UK Limited [Privacy policy](#) [Cookies](#) [Terms & conditions](#)

[Accessibility](#)



Taylor & Francis Group
an informa business

Registered in England & Wales No. 3099067
5 Howick Place | London | SW1P 1WG

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings