

Management Accounting

7th Edition

- Link 10.B –
EVATM for an Alternative Investor

For this EVATM calculation, we assume an investor intends to buy VANHUIZEN BV. We further assume, the investor buys the business clear of all debts and calculates the net operating profit after taxes based on Figure 10.6 in the textbook to be 150,150.00 EUR. The costs of capital are 5 %/a and apply for

a fully loan financed acquisition. The costs of capital are then: $5\% \times 3,000,000 = 150,000.00 \text{ EUR/a}$. Hence, the EVATM = $150,150 - 150,000 = 150.00 \text{ EUR}$. This value indicates a positive performance and reflects the increase in valuation for the investor by the acquisition, although the value is low.