PAGE 89

(2-15) Build a Model: Free Cash Flows, EVA and MVA

Begin with the partial model in the file Ch02 P15 Build a Model.xls on the textbook’s Web site.

1. Using the financial statements shown below for Lan & Chen Technologies, calculate net operating working capital, total net operating capital, net operating profit after taxes, free cash flow, and return an invested capital for 2013. (Hint: Start with the partial model in the file and report all dollar figures in thousands to reduce clutter.)
2. Assume there were 15 million shares outstanding at the end of 2013, the year-end closing stock price was $65 per share, and the after-tax cost of capital was 8%. Calculate EVA and MVA for 2013.

Lan & Chen Technologies; Income Statements for Year Ending December 31 (Thousands of Dollars)