

(5T-1)
Net income, Cash Flow,
and EVA

Last year Cole Furnaces had \$5,000,000 in operating income (EBIT). The company had a net depreciation expense of \$1,000,000 and an interest expense of \$1,000,000; its corporate tax rate was 40%. The company has \$14,000,000 in operating current assets and \$4,000,000 in operating current liabilities; it has \$15,000,000 in net plant and equipment. It estimates that it has an after-tax cost of capital of 10%. Assume that Cole's only noncash item was depreciation.

- a. What was the company's net income for the year?
- b. What was the company's net cash flow?
- c. What was the company's net operating profit after taxes (NOPAT)?
- d. Calculate net operating working capital and total net operating capital for the current year.

- e. If total net operating capital in the previous year was \$24,000,000, what was the company's free cash flow (FCF) for the year?
- f. What was the company's Economic Value Added (EVA)?