**18 – 4**

Look again at table 18.11 at the end of fiscal 2008 Estee Lauder had 195 million shares outstanding with share price of $45.50. The company’s weighted-average cost of capital was about 10%. Calculate

1. Market value added
2. Market to book ratio
3. Economic value added
4. Return on capital

|  |  |  |  |
| --- | --- | --- | --- |
|  | End of Year |  | Start of Year |
| Balance Sheet |  |
| **Assets** |  |  |  |  |  |
| Current assets: |  |  |  |  |  |
| Cash and Marketable securities |  | 402 |  |  | 254 |
| Accounts recievable |  | 1039 |  |  | 861 |
| Inventories |  | 987 |  |  | 856 |
| Other curreny assests |  | 360 |  |  | 269 |
|  Total current assets |  | 2788 |  |  | 2240 |
|  |  |  |  |  |  |
| Fixed assets: |  |  |  |  |  |
| tangible fixed assets |  |  |  |  |  |
| Property, plant, and exuipment |  | 2394 |  |  | 2113 |
| less accumlated depreciation |  | 1351 |  |  | 1232 |
| net tangible fixed assets |  | 1043 |  |  | 881 |
|  |  |  |  |  |  |
| long term investments |  | 24 |  |  | 22 |
| other long term assess |  | 1157 |  |  | 984 |
| total assets |  | 5012 |  |  | 4127 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Liabilities ans shareholders' Equity** |  |  |  |  |  |
| Current Liabilities: |  |  |  |  |  |
| Debt due for repayment |  | 119 |  |  | 60 |
| Accounts payable |  | 1581 |  |  | 1440 |
| Total current liabilities |  | 1700 |  |  | 1500 |
|  |  |  |  |  |  |
| long-term debt |  | 1078 |  |  | 1028 |
| other long-term liabilities |  | 581 |  |  | 398 |
|  |  |  |  |  |  |
| Total liabilities |  | 3359 |  |  | 2926 |
|  |  |  |  |  |  |
| Total shareholders' equity |  | 1659 |  |  | 1426 |
| total liabilities and shareholders' equity |  | 5012 |  |  | 4127 |
|  |  |  |  |  |  |
| **Income Statement** |  |
| Net sales | 7911 |  |  |  |  |
| Cost of goods sold | 1997 |  |  |  |  |
| Selling, general, and administrative expenses | 4852 |  |  |  |  |
| Depreciation | 251 |  |  |  |  |
| Earnings before interest and taxes (EBIT) | 811 |  |  |  |  |
| Interest expense | 67 |  |  |  |  |
| taxable income | 744 |  |  |  |  |
| tax | 260 |  |  |  |  |
| Minority Interest | 10 |  |  |  |  |
| Net Income |  |  |  |  |  |
|  |  |  |  |  |  |
| Dividends | 107 |  |  |  |  |
| Addition to retained earnings | 367 |  |  |  |  |