

***Does EVA Beat EBIT and CFO?: An Empirical
Evidence from the Tehran Stock Exchange (TSE)***

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Abstract

Some researchers believe the Economic Value Added (EVA) is the best measure for firms' performance evaluation. Biddle's research results clearly show that although EVA may be better than Cash From Operations (CFO) measurement, but some accounting performance evaluation measures as Earning Before Interest and Taxes (EBIT) outperforms EVA.

This research is aimed to study the correlations among EVA, EBIT, CFO and Share Market Value (MV). In order to determine the correlation coefficients and test the ability of the EVA measure compare to EBIT and CFO in forecasting iranian firms' future share prices, we have implemented an empirical study based on the data provided by the Tehran Stock Exchange (TSE). Results of the statistical analysis at the confidence level of 95% and using 221 year-company data clearly show that although EVA is more correlated to firms' share market values than CFO, but EBIT outperforms EVA. In the other words, this research results completely confirm the results of Biddle's research. It means that although EVA is a good economic measurement but it is not the best measure because it may be dominated by some accounting measures as EBIT.

Key words: Economic Value Added (EVA), Earning Before Interest and Taxe (EBIT), Cach From Operations (CFO), Share Market Value (MV), Tehran Stock Exchange (TSE).