

10-B2 Computing EVA

A company that uses EVA reported the following results for 20X4 and 20X5 (in millions):

	20X4	20X5
Pretax operating income	\$5,698	5,700
Cash taxes	1,676	1,600

Average adjusted invested capital was \$20,308 million in 20X4 and \$18,091 million in 20X5, and the cost of capital was 9% in both 20X4 and 20X5.

1. Compute the company's EVA for 20X4 and 20X5.
2. Compare the company's performance in creating value for its shareholders in 20X5 with that in 20X4.