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Abstract

There is always significant relationship between shareholder value creations and Economic Value Added (EVA). In this regard number of researches are conducted on this topic. This research study endeavors with an idea that "Does Economic Value Added" measure shareholder value creation. The Market Value Added (MVA) used as a proxy of shareholder value creation. There are two research dimensions used in order to measure the shareholder value creation. First is Net operating profit after taxes, and second is weighted average cost of capital. The results are also compare with traditional accounting measures. This research was conducted on Food and Personal care product sector of Pakistan. The research we have taken is for 5 Years of Historical period starting from 2011 to 2015. The data is extracted from the company's annual reports. The data is properly analyzed through descriptive and inferential statistics. According to the findings positive and significant outcomes among the MVA, EVA, and NOPAT were found. There is a negative correlation exist between MVA and WACC. The mean result of EVA is 58% correlated with the shareholder value creation. While the mean results of traditional accounting measure is only 37%. However four out of four Null hypothesis of the research were rejected. At the end, recommendation and limitation of the research are discussed.

Key Words: Market Value Added (MVA), Economic Value Added (EVA), Net Operating Profit after Taxes (NOPAT), Weighted Average Cost of Capital (WACC), Earning Per Share (EPS), Return on Asset (ROA), Return on Equity (ROE).

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