

Economic Value Added

Economic value added (EVA) is a measure of surplus value created on an investment. More specifically, EVA is a measure of **dollar surplus value**, not a difference in **returns**. It is similar (though not identical) to a net present value.

$$EVA = (rate\ of\ return - cost\ of\ capital) * capital$$

Some sources erroneously show economic value added as the difference in accounting profit return and the cost of capital. This is incorrect. EVA is closely related to economic profits, but not identical.