The Impact of Implementation of Finance Management Functions and the Concept of Economic Value Added (EVA) To the Development of Business Operational Performance

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ABSTRACT: *The aim of this article is to reveal the role of theory studies on the influence of the application of financial management functions and Economic Value Added (EVA) to the improvement of business operations in growing the company to be better influenced by the study of science on business management theory that can be directly applied to the company management which established with capital investment*

It can be seen from the presented cases in 2015 PT. ABC Indonesia generated positive value. It indicated that the company had operating net profit since 2011 and achieved the highest in 2015 with Rp.18,795,105,760. It was due to the high NOPAT generated by the company which followed by a decrease in total capital costs and caused the increasing of EVA value. this article that the application of financial management functions and Economic Value Added (EVA) theories showed positive and profitable results and the returning of capital as investment expectation which managed professionally by indicators; planning, activities and supervision with continuous and sustainable evaluation.

Key words: Financial Functions, Economic Value Added (EVA), Profitability

Introduction

The fundamental theory of financial management builds a quality requirement namely a decision-making system and a financial management system. Both of the systems build basic concepts and theories which are called qualitative theory and the positioning theory that will be applied to three levels of theory: financial theory, financial management and financial administration. The characteristics of the theory elements lie in the positioning theory that elaborates the practice of financial management and financial management science. Both of the elements of the theory synergize on the main theories of financial management, financial management functions, economic theory, and theory of financial management.

The theory of financial management is aimed at the particular socio-economic environment which is aimed at presenting financial management information, and the achievement of performance. Based on that reasons, according to Rubinstein (2001), then it's formed the functions of financial management systems on financial management, which aims to manage finance with an internal regulation in the form of a normative concept.

The function of financial management is the part of the financial management in which the financial management focuses on the procurement of funds and the usage of that funds based on the company goals, in addition to expect other funding sources. The main purpose of financial management is to increase the value of the company, and to maximize the share value of the company's owner, so basically there are two aspects that arise in managing finance, namely: (1) The procurement of funds and (2) The use of effective and considerate funds.

The Company is established for an unspecified length of time and is expected through professional business management to grow and expand by gaining greater profits over time as measured through the company's financial statements. The concept of Economic Value Added (EVA) or also called economic value added is one of the concepts or ways that can be used for the company to maximize or increase the value of the company

through an increase in share prices in the capital market. Economic Value Added (EVA) concept is used in financial management to measure the economic profit of a company.

The cost of a company's capital plays the role as a liaison between financing decision and the investment. Hafid Ibrahim (2010), the costs of the capital becomes the limit level that must be achieved by an investment and before increases the wealth of the capital's owner. The EVA concept is a measurement that can be used by firms to determine whether Existing investigations may contribute positively to shareholders. The use of EVA helps the company's management to focus its attention on creating additional value by the company's economic activities that will ultimately enhance and maximize the value of the company. The said value of the company is the total value of future revenue generated by the company that can provide benefits to both the owners of companies and other stakeholders. Therefore, in the process of creating this additional value, the company should try its best to improve its performance in order to attract investors and increase share prices in the capital market.

The Aims of This article is expected to provide practical and pragmatic benefits to the role of functions in financial management and in implementing the growth strategy to manage the cost of quality and capital structure of the company. In addition, this article, with the results of empirical studies and analysis and discussion, is expected to provide theoretical contribution in matrix Theory of financial science.

The Benefits of EVA

Brigham and Houston (2001) argue that the idea of the emergence of EVA is quite simple. The company is really profitable and creates value if only its profit through all used capital funded the operations.

The Evaluation of the performance using EVA causes the management attention focusing on matters that are in line with the interests of the shareholders who choose an investment that maximizes the rate of return and minimizes the level of capital costs so that the value of the company can be maximized.

THE LITERATURE REVIEW

The Theoretical Review of Financial Functions

Theoretically, according to Adam and Buckle (2013), the purpose of financial management with several assumptions underlying the importance of financial management is to make an important contribution in supervision, enhancement of competitiveness, and performance. Therefore, the theory of financial management is the integration between the basic theory of management and operational management of finance. Thus, the implementation of financial management is the implementation of the theory that includes the procedures of financial management, with various methods, management, organizational structure model, and the responsibility of some elements in the functions of financial management. The mechanism in the implementation of financial management is an operational mechanism derived from empirical theory and facts about financial management practices. Furthermore Nur Alimin Azis (2014) states that:

The Purpose of the Financial Function

To plan the needs and suitability of funds. The main purpose of financial management is to meet the financial needs of the company on time, because the time indicator is very important in managing the finance. If the financial does not exist when the need then the company faces a very big problem, the company must maintain its financial liquidity in order to be able to return the debt and pay interest on time.

To use the appropriate funds as intended. Increasing the amount of funds is very important to implement. if the use of funds is not right, then it is not able to generate revenue that can increase the new funding sources. Thus, it is considered very important to make an analysis of costs and benefits before the funds are obtained.

To increase the profits. Profits can be increased by cost reduction and idle funds. If the funds are not used (idle funds), then it does not generate income, even raises interest expense so that the company must maintain the balance between costs and benefits.

To maximize the value of the company. The ultimate objective of finance management is to maximize the value of the company. By the increase of company value, it will increase the wealth value of shareholders because the value of the company is an indicator of shareholder's wealth.

The Concept of Economic Value Added (EVA)

According to Arthur J. Keown et al (2010) additional value of Economic Value Added (EVA) for certain years can be calculated by the formula:

$$EVA_t = \left\{ \begin{array}{c} \text{Net profit after the} \\ \text{tax (NOPAT) t} \end{array} \right\} \left\{ \begin{array}{c} \text{Average weighted} \\ \text{capital cost} \\ \text{(Kwacc)} \end{array} \quad x \quad \begin{array}{c} \text{Invested Capital} \\ \text{t - 1} \end{array} \right\}$$

Economic Value Added (EVA) Definition

Brigham and Houston (2001) state that Economic Value Added (EVA) are the actual economic profit estimation of the company in the current year. EVA indicates residual profit after all expenses including deducted equity capital or net operating profit margin after capital cost is deducted from the tax

It is note-worthy that EVA is associated with accounting profit that is NOPAT equal to net operating income, but it is different in EVA calculation that include the load for invested capital.

Some of the concepts that will be discussed in this article are the concept of Economic Value Added (EVA) consisting of the definition of EVA, the advantages of EVA and the interpretation of EVA. Whereas, the concept related to capital cost is the definition of capital cost, cost of debt/ Cost of equity, Average weighted capital cost, and invested capital.

According to Widjaja, Amin (2001) Economic Value Added (EVA) is the company's ability to generate profits in gaining the profit exceeding the invested capital cost in the company. And EVA is:

A measurement instrument of the Financial achievement based on value

A measurement instrument that can show in absolute terms (in rupiah value) how many stakeholders have been set up or dispensed.

A measurement instrument relating to stock prices. In this case, the better the performance of the company is, the more EVA improves and is positive. Then, the possibility of stock prices will also increase in the stock exchange.

Providing the basis for the creation of a compensation system that is able to motivate all components of the company to create value to shareholders.

Furthermore, Widjaja Amin (2001) states that EVA is the residual after being deducted by the cost of invested capital to generate profit. A financial management system to measure the economic profit in a company states that prosperity can only be created if the company is able to meet all costs and capital costs.

From the definition above, it can be concluded that EVA is the remaining income or residual profits obtained by subtracting the capital cost to the operating profit, so EVA is determined by two things which are the net operational profit after the tax and the level of capital costs. Operational profit after the tax describes the result of the value creation from the company while the cost of capital is defined as the sacrifices incurred in the creation of the value.

The Interpretation of EVA

The Interpretation of EVA according to Utama Sidharta (1997) in Economic Value Added (EVA), measurements of the company value creation are:

The value of EVA > 0 indicates that the rate of return generated exceeds the level of capital costs (the rate of return of investors for the investment) made, or in other words there has been a process of added value to the company.

The value of EVA = 0, indicates that the rate of return generated equal to the level of capital costs that must be borne by the company.

The value of EVA < 0 indicates that the resulting rate of return is lower than the rate of return required by the investor, or in other words there is no added value to the company.

Some Financial Functions

According to Yao and Allas (2006), the financial function associates with production, marketing, and other activities so that without any financial function all activities will be stopped, so just because of the existence of financial function all activities will be started, continued and expanded. All manager decisions are always related to finance, so the financial decision is divided into four. They are:

Investment decision. The Investment decision relates to the assets that are to be funded from various sources of funding, and investment decision is the allocation of the funding sources and resources to profitable investments. For each investor, it will be examined the amount of profit opportunities that will be obtained, as well as the amount of risk that will be borne in the long term and in the short term. The long-term investment decision is not only related to investment but also related to the expansion. Therefore, perfect consideration before implementing them is urgently needed. The short-term decision is generally related to the management of working capital, such as cash allocation, accounts receivable, and inventory. By this working capital, the assets can be still used effectively.

Financial Decision. Beginning with investment decisions, then trying to improve the financial capabilities associated with investment, the financial decision relates to the mix of sources of funding and the funding work system. In making financial decisions to finance, the manager first establishes the amount of debt and equity desired in the capital structure. On the other hand, the share capital is a permanent source of funds, and it is not obliged to be returned, but only needs dividends.

Liquidity Decision. Associated with the management of current assets. In essence, working capital is short-term, and prioritizes optimum liquidity. As the consequence, it is less difficult for the management of the company to manage the schedule of debt repayment and other obligations. Nevertheless, the company still has to pay its economic costs it will be fined when the debt is not paid. Furthermore, if the use of the working capital is not maximized, profits will also not be generated.

Dividend decisions are related to the amount of profit (to be shared among the shareholders) and retained earnings. Dividend is compensation or return on investment which can be declared when the number of profit is clear. The decline in the shareholder's satisfaction is the consequence which will arise when the dividend is not issued, and even the unpublished dividend will decrease the stock market price.

The Capital Cost

The Understanding of Capital Cost

Capital is an investment made by the business owner in order to generate profit, calculations in the form of returns called *cost of capital*.

According to Hasbih and Surya Wardani (2013), the cost of capital is the cost that must be incurred by the company to obtain which could be originated from debt, stock, preference, or even retained earnings to fund an investment or operation conducted by the company.

Fauzan and Arfan opine that the capital fund is equal to the capital invested by the company multiplied by the *Weighted Average of the Cost Capital* (WACC). The capital fund can be formulated as follows:

The Capital Fund = WACC X Invested Capital

In order to obtain *Cost of Capital*, it is of an utmost importance that the company calculate the cost of each resource and the average capital cost of the total funds used by calculating the amount of WACC.

The Cost of Debt

Sheila and Yulius Kurnia (2010) state that debt is additional working capital needed for business operations, and any debt earned requires a fee. The cost of the company's debt is nothing else but the rate of return required by the investor, or the interest rate which the firm must pay on the loaned capital the company made. Debt consists of long-term money and short-term debt in which both of them have capital costs.

Brigham and Houston (2001) propose that the cost of post-tax debt is the relevant cost of new debt, considering how interest used to deduct tax can be utilized to calculate WACC. The reason for the use of after tax cost in calculating WACC is as follows: because the value of the company to be maximized depends on the cash flow after tax. Since the interest expense is a deductible expense the interest, therefore, yields a tax savings that reduces the net debt cost. As the result the cost of debt after tax is smaller in amount compared to that of before tax.

The component of debt cost is the multiplication of interest to be paid by the company by a correction factor (1-T) where T is the applicable tax rate, expressed in the formula:

$Ki = Kd (1 - T)$

Ki   =   Debt Cost After Tax

$$Kd = \frac{Interest\ Cost}{Total\ of\ Interest\text{-}Expensed\ Debt}$$

T   =   Tax Rates

Cost of Equity

According to Brigham and Houston (2001), the cost of equity is the cost of retained earnings, but the cost of equity will be the cost of new common stocks after the company runs out of retained earnings.

The calculation of the cost of equity is done through *Capital Asset Pricing Capital* (CAPM):

$Ke = Rf + (Rm + Rf)\ ß$

Ke   =   Cost of Equity

Rf   =   Rate of Risk-Free Returns

Rm   =   Rate of Expected Market Returns

ß   =   Beta Stocks

Beta stocks or beta coefficient is a systematic risk of a form of security on the market risk. The equation used to calculate beta stocks is the following:

$Ri = α + ßRm + e$

Ri   =   Rate of Common Stocks Returns

α   =   Intercept/ Constanta

ß   =   Common Stock Systematic Risks

Rm   =   Rate of Market Returns

e   =   Error Terms

When ß = 1, it indicates that the systematic risk of a security is equal to market risk, meaning that if market returns rise then the securities return will move up. β<1 means the risk level of a security is less than market risk, and β> 1 indicates the systematic risk of a security is less than market risk. When the value of β is negative,it exhibits that the change in the security return is not in line with market conditions (if the market return falls then the return of a securities will rise, and vice versa).

Weighted Average Cost of Capital

Weighted average cost of capital (WACC) is the weighted average of the debt components cost, preferred equity stock and retained earnings.

David and O'byme (2001) stated that WACC equals the total cost of the capital component including short-term debt, long-term debt and shareholder equity weighed on the basis of its relative proportion in the firm's capital structure at market value.

WACC can be stated using the following formula:

$$WACC = \frac{Debt}{Total\ Fund}\ Ki + \frac{Equity}{Total\ Fund}\ Ke$$

Each company must have an optimal capital structure, which is a combination of debt, preferred stock, common stock and retained earnings that can minimize capital costs and maximize the company's stock price. The capital structure is depicted in the weighted average capital cost.

Invested Capital

According to Welch (2003) the invested capital is the total amount of the loan outside the non-interest bearing liabilities such as accounts payable, accrued expenses, taxes payable, as well as the customer down payments.

Octaviana Maria 2015 opines that the approach used to calculate the cost of invested capital is the Financial Approach, which sums up the different forms of financing (short term and long-term money debts, other long-term liabilities, and shareholder equity).

Invested Capital = Long-Term Debt + Total of Obligations + Long-Term Debt + Shareholders' Equity

Invested Capital is the sum of all corporate loans other than the short-term interest-free loan. The invested capital is equal to the amount of the company's assets thatthe company earns at a cost.

Discussion on the Calculation and Analysis of Implementation

EVA has several components that must be calculated beforehand, such as the Net Operating Profit after Tax (NOPAT) and the total cost of capital because EVA is obtained from the reduction of total cost of capital to NOPAT. The value of NOPAT and the total Cost of Capital will, therefore, be calculated first as follows:

Net Operating Profit after Tax (NOPAT)

David and O'Byme (2001) states that NOPAT is the net profit of the company's after-tax operation, and measures the profit earned by the company from its current operations.

NOPAT is the net profit after tax operation, because the scope of the data under study is the financial report with annual period and the researchers, therefore, calculate NOPAT in the following way: Operating Profit + Interest

Income (1-0, 30). The result of NOPAT calculation is shown in table 1 which is the example of the Case Assumption of financial data of PT. ABC Indonesia.

CASE STUDY AND RESULTS

Table 1

The Calculation of NOPAT

(In Billions of Rupiah)

Year	Operational Earnings	Interest Earnings	Tax (1-0,30)	NOPAT
2011	9.130	480	0,70	9.466
2012	11.976	366	0,70	12.232
2013	14.588	318	0,70	17.412,5
2014	17.171	345	0,70	17.412,5
2015	21.593	655	0,70	22.051,5

If the company produces a positive NOPAT, it indicates that the company experienced a profit in the related period. On the other hand, if the company produces a negative NOPAT value then the company suffered losses in the related period.

From the example of calculation result in table 2, it appears that NOPAT produced PT. ABC Indonesia's positive value provides evidence that the company has operating net profit from 2011 to 2015.

Capital Cost Calculation

Debt Cost

The debt cost in question is the cost of the after-tax debts by calculating the interest expense to be paid by the company against the loan capital of the company. The interest expense is the one which incurred during the period of the current year obtained from the income statement of the company. Calculation of debt costs used is as follows:

$Ki = Kd (1 - T)$

Ki is the cost of post-tax debt. *Kd* represents total interest-bearing debts including the short-term debt, the short-term portion of the long-term debt and the total long-term liabilities (non-current liabilities). The tax rate used (T) is the tax rate applicable to the company under the terms of a taxable income (PKP) of 30% (based on the tax rate of article 17 of the 2000 Income Tax Law). The calculation of the cost of debt after tax is shown in table 2 below:

Table 2
The Calculation of Tax after Cost of Debt (Ki)
(In %)

Year	Interest Expense (A)	Total of Interest Payable (B)	Kd = A/B	Tax (1-0,30)	Ki = Kd x T (C x 1) %
2011	1.583	17.389	0.091	0,70	6,37
2012	1.383	18.092	0.076	0,70	5,32
2013	1.270	21.436	0.059	0,70	4,13
2014	1.177	19.061	0.062	0,70	4,34
2015	1.286	18.344	0.070	0,70	4,90

Based on the table, it appears that the cost of debt fluctuates in each period. In the period of 2011 the cost of debt PT. ABC of 0.0637 or 6.37% dipped to 0.0490 or 4.90% in the period of 2015. This shows that the cost of debt decreased by 0.0147 or 1.47%.

Based on the data it can be seen that the cost of debt fluctuated every year and the highest debt costs occurred in the period of 2011, meaning that the company used the total debt which value is more expensive. This is due to the high inflation rate (interest expense) given by the creditors to PT. ABC Indonesia.

The Cost of Equity

The calculation of the equity cost (Ke) was performed using the Capital Asset Principal Model (CAPM) approach with the following steps:

Calculating the Beta of the company (β)

Beta is a systematic risk gauge of a security against market risk. Beta of the company can be calculated by way of regressing the return of JSX Jakarta Stock Exchange (Rm) with stock return of company (Ri)

Return of IHSG is independent variable and stock return of company is dependent variable. The equation used to calculate the company's beta was:

$Ri = \alpha + \beta Rm + e$

By sorting the data in time series and then doing the regression then we got the company's beta which was then included into CAPM formula to get cost of equity. Calculating the Cost of Equity (Ke)

Equity Cost was calculated by CPAM approach:

$Ke - Rf + \beta \{E (Rm) - Rf\}$

In which:

Rf   = Risk free rate in this case used was the average of 1-year SBI
interest rate

E (Rm)   = Average return rate Composite Stock Price Index (CSPI)

B   = Beta of company's stock

Calculation results of Cost of Equity can be seen in table 3 as follows:

Table 3

The Calculation of Equity Cost (Ke)

(In %)

Year	Rf (A)	E (Rm) (B)	β (C)	{E (Rm) - Rf} {D = B-A}	β {E (Rm) - Rf} {E = CxD}	Rf + β {E (Rm) - Rf} % (F=A+E) %
2011	0,1311	-0,0839	-2,4207	-0,2150	0,5205	65,15
2012	0,0834	0,6282	1,1989	0,5448	0,6532	73,66
2013	0,0729	0,4456	-0,6400	0,3727	-0,2385	-16,56
2014	0,1283	0,1624	1,3719	0,0341	0,0468	17,51
2015	0,0950	0,5529	1,2876	0,4579	0,5896	68,46

It can be seen from the table that in 2011 the cost of equity obtained was 0.6515 or 65.15% with the company's beta which was the smallest of the other years that was -2.4207. While the largest equity cost obtained in 2012 was 0.7366 or 73.66% with the beta of the company was 1.1989. Yet, in 2014 and 2015 the cost of equity obtained was 0.1751 or 17.51% and 0.6846 or 68.46% with the company's beta of 1.3719 and 1.2876. It showed that the systematic risk of the company was less than market risk. A negative company's beta indicates that the company's stock return was not in line with market conditions. Except in those years above the cost of equity was generally smaller than the company's beta. It showed the opposite situation in which the systematic risk of the company was greater than market risk, although it had a small cost of capital.

The Weighted Average Cost of Capital (WACC)

The weighted average capital cost is the weighted average of the weighted capital cost component based on its relative proportion in the capital structure of the company. The formula used was:

$$WACC = \frac{Debt}{Total\ Financing} Ki + \frac{Equity}{Total\ Financing} Ke$$

Or:

WACC = Proportion of Debt x Ki + Proportion of Equity x To

Table 4a
The WACC Calculation Data
(In%)

Year	Debt	Equity	Total of Financing	Proportion of Debt	Proportion of Equity	Ki	Ke
2011	17.389	14.614	32.003	0,5433	0,4566	6,37	65,15
2012	18.092	17.313	35.405	0,5110	0,4889	5,32	73,66
2013	21.436	18.128	39.564	0,5418	0,4582	4,13	-16,56
2014	19.061	23.292	42.353	0,4501	0,5499	4,34	0,1751
2015	18.344	28.069	46.413	0,3953	0,6048	4,90	68,46

Table 4b

The Calculation of WACC

(In%)

Year	Proportion of Debt x K1	Proportion of Equity x Ke	WACC
2011	3,46	29,75	33,21
2012	2,72	36,01	38,73
2013	2,24	-7,59	-5,35
2014	1,95	9,63	11,58
2015	1,94	41,40	43,34

Based on the WACC calculation data in table 4b of the largest WACC table results occurred in 2011 in the amount of 0.4334 or 43.34%. It meant that every Rp.1 of invested capital cost 43.34% while the smallest WACC occurred in 2013 of -0.0535 or -5.35. It meant that every Rp.1 of invested capital cost of 5.35% or there would be a decrease of -5.35%

The table showed the overall value of WACC having fluctuations between negative and positive. They were happening due to the decrease of the equity proportion in some periods so the percentage of WACC also decreased (negative value).

The Invested Capital

Invested capital was calculated by the formula:

Invested Capital = short-term debt + total of long-term liabilities + shareholder equity

The data obtained in calculating the invested capital to obtain calculation results:

Table 5
The Invested Capital
(In Billions of Rupiah)

Year	Short-Term Debt (A)	Long-Term Debt (B)	Equity		Invested Capital (A+B+C+D)
			Minority Rights (C)	Equity(D)	
2011	9.708	17.389	2.596	14.616	44.307
2012	11.170	18.092	3.708	17.313	50.283
2013	11.677	21.436	4.938	18.128	56.179
2014	13.513	19.061	6.305	23.292	62.171
2015	20.536	18.344	8.187	28.069	75.136

The Total of Capital Cost

After calculating the weighted average cost of capital (WACC) and invested capital, it can be calculated:

Table 6

The Total of Capital Cost

(In Billions of Rupiah)

Year	WACC (%)	Invested Capital	Total of Capital Cost
2011	33,21	44.307	1.471.435,47
2012	38,73	50.283	1.947.460,59
2013	-5,35	56.179	-300.557,65
2014	11,58	62.171	719.940,18
2015	43,34	75.136	3.256.394,24

THE CALCULATION AND VALUE ANALYSIS OF ECONOMIC VALUE ADDED (EVA)

EVA value calculation is performed after we know NOPAT and total of capital cost which take place in each period of both components then subtracted to obtain EVA value. Positive Economic Value Added (EVA > 0) indicates that there has been a creation process. Value-added for company owners and shareholders (investors) or in other words the rate of return generated exceeds the level of capital costs (the rate of return that investors expect on investments made). In contrast, negative EVA (EVA < 0) indicates that there is no value creation process for shareholders (investors) because the resulting rate of return is lower than the rate of return expected by the investor. The result of calculation of EVA value can be seen in table 7 as follows

Table 7

The Calculation of Economic Value Added (EVA)

(In Billions of Rupiah)

Year	NOPAT	Total of Capital Cost	EVA
2011	9.466.000	1.471.435,47	7.994.564,53
2012	12.232.200	1.947.460,59	10.284.739,41
2013	17.415.500	-300.557,65	15.111.157,65
2014	17.415.500	719.940,18	16.692.559,82
2015	22.051.500	3.256.394,24	18.795.105,76

It can be seen from the table that one of the reasons Eva value always fluctuated between negative and positive due to the increasing of fluctuate amount of long-term debt. In 2011 PT. ABC Indonesia, Tbk resulted the lowest EVA in the amount of Rp.7.994.564,530 caused by the high WACC in the amount of 33.21% resulting the increasing of the total of capital cost. It showed that in that year the company's performance had decreased.

In 2015 PT. ABC Indonesia generated positive value. It indicated that the company had operating net profit since 2011 and achieved the highest in 2015 with Rp.18,795,105,760. It was due to the high NOPAT generated by the company which followed by a decrease in total capital costs and caused the increasing of EVA value.

A positive EVA value implied the increasing the company performance and it could create value-added for the owners of the company or shareholders (investors) or in other words available profit could cover the capital cost and supplied the rate of return which expected by investors. CONCLUSION

Based on the discussion results which have been elaborated previously, it is concluded that:

The stability of capital structure has been maintained by collecting funds from various funding sources to keep up all operational cost payments, to allocate resources to profitable divisions, to pay attention to business liquidity, to obtain information sourced from authorized institutions on price changes and other costs related to capital preparedness, to provide incentives to accelerate the completion of work.

In implementing the concept of EVA in the case of PT. ABC Indonesia there have been several concepts that must be calculated in advance i.e. Net Operating Profit after Tax (NOPAT) through the company's income statement and total of capital cost.

PT. ABC Indonesia has generated positive EVA value which meant that the company's performance has increased and has been able to create value-added for company or shareholder (investor) or in other words available profit has been able to cover capital cost and supplied the rate of return which expected by investor.

The level of profit generated by EVA calculations positively over time has ensured the continuous level of business operations and the returns on capital for owners and other investors and even creditors.

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