Case Fruitflower

1	D. FRUIT	D. FLOWER	TOTAL
SALES	1 300 000	2 400 000	3 700 000
COST OF SALES	780 000	1 680 000	2 460 000
OPERATIONAL COSTS	80 000	120 000	200 000
OPERATIONAL PROFIT	440 000	600 000	1 040 000
FINANCIAL COSTS	63 000	42 000	105 000
PROFIT BEFORE TAXES	377 000	558 000	935 000
TAXES ON PROFITS	75 400	111 600	187 000
NET PROFIT	301 600	446 400	748 000

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ECONOMIC ASSETS (INV CAP)	1 500 000	1 000 000	2 500 000
LIABILITIES	900 000	600 000	1 500 000
EQUITY	600 000	400 000	1 000 000
K LIABILITIES	0.056	0.056	0.056
K EQUITY	0.08	0.08	0.08
WACC	0.0656	0.0656	0.0656

WACC = 0.6 x 5.6% + 0.4 x 8% = 6.56%

3	D. FRUIT	D. FLOWER	TOTAL
OPERATIONAL PROFIT	440 000	600 000	1 040 000
OPERATIONAL PROFIT X (1-TAXES)	352 000	480 000	832 000
ECONOMIC ASSETS (IC)	1 500 000	1 000 000	2 500 000
WACC	0.0656	0.0656	0.0656
WACC x ECONOMIC ASSETS (IC)	98 400	65 600	164 000
EVA	253 600	414 400	668 000
MARGIN	0.338	0.25	
TURNOVER INVEST CAPITAL	0.86666	2.4	
RETURN ON INVEST (ROI)	0.293333	0.6	

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The company has value added (668 000 €) beyond what was required.

The performance of the D. Fruit is higher. Although the margin of the D. Fruit is superior, the turnover on investment is lower in the D. Fruit. Therefore, RETURN ON INVESTMENT of the D. Flower is higher.