

Case FRUITFLOWER

FRUITFLOWER company presents two investments centers: the division FRUIT and the division Flower, each one classified as investment center.

The taxes rate on the company's profit is 20%.

The data concerning the year N for each division were the following ones (in €):

Description	D. Fruit	D. Flower
Sales	1 300 000	2 400 000
Sales cost	780 000	1 680 000
Distribution costs	60 000	100 000
Administrative costs	20 000	20 000

FRUITFLOWER has two financing options:

- Use a long term bank loan, with interests at the annual rate of 7%, responsible for 60% of the financing;
- Equity resources; the opportunity cost of equity is 8%, net of taxes.

The capital invested at market prices is 2 500 000 €, 1 000 000 € regarding the division FLOWER.

Based on the data provided, it is required:

1. Prepare the Profit and Loss Statement of FRUITFLOWER company for each one of the divisions;
2. Calculate the company's WACC;
3. Ascertain the company's EVA and of each division;
4. Comment the performance of the company and of each division.