

CASE JOTA and KAPA - SOLUTION

1. JOTA and KAPA

Operational Profit	450 000	600 000
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KAPA company presents higher Operational Profit. However, if we take into account the capital invested, JOTA's performance seems to be superior (15% versus 12%).

To compare the performance, it is necessary to know, among others, the WACC implicit in each company, or the opportunity cost of the invested capital.

2.

Using the Residual Income concept

$$450\,000 - 3\,000\,000 \times K = 600\,000 - 5\,000\,000 \times K$$

$$K = 7.5\%$$