

**METHODOLOGICAL APPROACHES TO THE ASSESSMENT
OF THE INVESTMENTS EFFECTIVENESS BASED
ON ECONOMIC VALUE ADDED**

We conducted the critical review of economic profit indicators on the basis of which it is possible to assess the business investment efficiency. We have taken into account that the rate of economic value added as opposed to the net cash flow allows evaluating the effectiveness of investment projects at any stage of their implementation and analyzing the investment activity of an enterprise as a whole, rather than by individual projects.

It is shown that the value of invested capital requires adjustments in determining economic value added (EVA). Whereas, traditionally, the mentioned index is determined on the basis of the invested capital value at the beginning of the year and does not include the investments made during the year, as well as the withdrawal of investments in the form of dividends or decumulation of capital through unprofitable activities.

Here it is proved that if any construction is in progress or the assets have not been put into the operation yet due to technical restrictions imposed by the investment project and not by the fault of the company management, the cost of such facilities shall not be counted as a part of the capital invested in the calculation of EVA as it cannot deliver value.

It is found that the operating profit may be overstated because of the lack of an enterprise compulsory programs financing due to the shortage of funds. This underfunding in future may result in much greater losses than the value of the underfunding. Therefore, these future losses should be deducted from the value of operating profits.

We proved the necessity of adjustments to the value of the invested capital and operating profits in assessing the efficiency of investments on the basis of economic value added indicator.