

## Abstract

The traditional accounting based performance metrics being vulnerable to mislead the user have been evidenced of major corporate failures like Enron, World Com etc. Further, stock investors particularly institutions have been focusing on intrinsic value for their investment decisions. These two changes have put the accounting based measures under question and call for value based measures. In this regard, Economic Value added (EVA) has come forward to answer these questions by reflecting the impact of managerial decisions in the stock returns. The main objective of this study was to find evidence whether EVA as a new yard stick to measure managerial performance can be fitted in Pakistani corporate world. A positive result would have been desired to introduce EVA in Pakistani corporate world. The hypothesis of this study was to check the significance of EVA among other traditional accounting measures in determining stock returns translated into Market Value Added (MVA) and the relationship with MVA. These accounting variables include market to book value, earning per share, earnings before interest, tax, depreciation & amortization, operating cash flows, return on assets, return on capital employed, and return on equity. This hypothesis was tested on the time series data of 90 Pakistani companies listed on the country's three stock exchanges for a period of 6 years (2006-07 to 2011-12). Regression analysis shows that accounting based measures outperform EVA in explaining MVA, but EVA being a significant measure emerged as a potential variable as a performance measurement tool for Pakistani corporate world.