



Ahmedabad
University

CASE STUDY – FINANCE

CS-21-004

Understanding Economic Value Added Analysis – A case of Alphabet Inc. (Google) and its Competitors

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Abstract :

In the month of January 2020, Mr. Kaul who worked as a finance executive in a leading credit rating firm in USA got the work to analyse Alphabet Inc. and its peer companies as a part of routine analysis. The firm rated the companies by assessing their ability to pay the debts and examine their financial stability. The rating helped the investors and lenders to supplement their internal evaluation process and optimizing the cost of funds. Till date the firm had relied on the traditional measures like debt equity ratio, debt paying capacity, other profitability & market ratios and the loan default reports of the companies for rating. But the firm wanted to deviate from the accounting profit measures and emphasize on newer ways to evaluate the company's performance. Mr. Kaul was aware that the performance measurement systems that were successful in the past required a dynamic change and wanted to decode two questions:

- 1) Has the performance of a business firm actually improved?
- 2) Whether the firm has been a value generator or a value destroyer for a shareholder?

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Keywords: finance, funding, restructuring, financial stability