

VALUATION OF FIRM: METHODS & PRACTICES-AN EVALUATION

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ABSTRACT

The ultimate test of corporate strategy is whether a firm creates economic value for its shareholders. A decade ago there was considerably less knowledge about shareholder value and doubt about its relevance to corporate governance. But in today's economy it is essential to excel at measuring, managing and maximising shareholder and company value. The complexity of measurement of value deals not only with company's historical financial results but also with its ability to create value in the future. The article seeks to compare the various valuation methods and bring out the advantages, limitations and suitability of the same.

KEYWORDS: Valuation, Economic Value Added, Free Cash Flow, Discounted Cash Flow, Weighted Average Cost of Capital and Return on Invested Capital