What is Return on Capital (ROC)

A company's Return on Capital may be considered a measurement of how efficiently it utilizes the money (either owned or borrowed) it has invested in its business activities. A net operating income after taxes is calculated by taking the total assets minus cash and investments (save for those in strategic partnerships) and subtracting non-interest-bearing liabilities. When a corporation's Return on Invested Capital (ROIC) is higher than its Weighted Average Cost of Capital (WACC), the company has produced value. Compared to the Weighted Average Cost of Capital, the Return on Invested Capital must be higher for the firm to create value. The following equation must be used to calculate the return on investment:

ROC = BV of debt + BV of equity – Cash

What is Cost Value Reconciliation CVR?

Reconciling cost and value amounts to illustrate a company's profitability is the goal of the Cost Value Reconciliation (CVR) procedure. Its main goal is to ensure that the profits reported in the company's books are true and appropriately represent the business's financial situation at the current time.d another way: A CVR objective may be divided into two pieces. First and foremost,