

EVA Discipline Getting Hotter At HARSCO Corporation

“The creation of long-term value for our stockholders continues to guide our way.”

- Harsco Brochure

***Dr. Himanshu Choudhary**

****Vandana Sharma**

INTRODUCTION

EVA is an acronym for Economic Value Added. It helps in measuring the corporate performance. EVA is not only a measure of performance, but also a framework that helps decision makers in an organization to bring in organizational change. It helps in providing complete financial management and incentive compensation system that helps in improvement of the professional lives of everyone in an organization by making them more empowered. EVA stands as a unique tool amongst most others because it includes a charge against profit for the cost of the entire capital that a company employs. This helps the management in producing much more wealth for shareholders, customers, and their own selves.

Management Guru, Peter F. Drucker, writing in Harvard Business Review in 1995 has described EVA as a vital measure of total factor productivity, one that reflects all the dimensions by which management can increase value. His article in the HBR quoted that “EVA is based on something we have known for a long time: What we call profits, the money left to service equity, is usually not profit at all. Until a business returns a profit that is greater than its cost of capital, it operates at a loss. Never mind that it pays taxes as if it had a genuine profit. The enterprise still returns less to the economy than it devours in resources. . . Until then, it does not create wealth; it destroys it”.

At Harsco Corporation, the management observed that EVA implementation would help in earning a great deal of economic profit or economic rent for its stakeholders. However, for this purpose, they also realized that it would require a number of decisions about proper measurement of operating profits, measurement of capital, and determination of the cost of capital, which seemed to be an extensive task at hand. In spite of all the complexities involved in the process, they decided to go ahead with its implementation. They wanted to cash upon the capital charge in EVA called as opportunity cost or implicit cost of equity capital. Opportunity cost is the return that investors may expect to get by investing their money in a portfolio of other stocks and bonds which have comparable risk. This concept was also discussed by Adam Smith who said that the cost of capital, or in other words, required rate of return, applies to equity as well as to debt.

EVA, a measure that determines true profits can be calculated as follows:

EVA = NOPAT - (WACC × invested capital)

Where

EVA = Economic Value Added

NOPAT = Net Operating Profit After Tax

WACC = Weighted Average Cost Of Capital

SECTION I

HARSCO: AN OVERVIEW

Harsco Corporation is a diversified global leader in industrial construction and infrastructure. It is ranked as the second largest provider of railway track maintenance services and equipment in the world and operates in non-

**Assistant Professor, Institute for International Management and Technology, Gurgaon, Haryana.*

Email: dr.himanshu.c@gmail.com

***Marketing Faculty, Adam Smith Institute of Management, Gurgaon, Haryana.*

12 Indian Journal of Finance • June, 2010

residential construction, steel, metals, and energy. According to the Chairman and Chief Executive Officer of Harsco, Salvatore D. Fazzolari, it is a market leader in each of its select business groups and operates in over 50 countries. The company has more than 21,000 employees worldwide. HARSCO works on long-term partnerships with the top customers in major global industrial markets for its high value services and products. Table 1 gives a brief overview of some facts about Harsco.

Table 1: Harsco Fast Facts

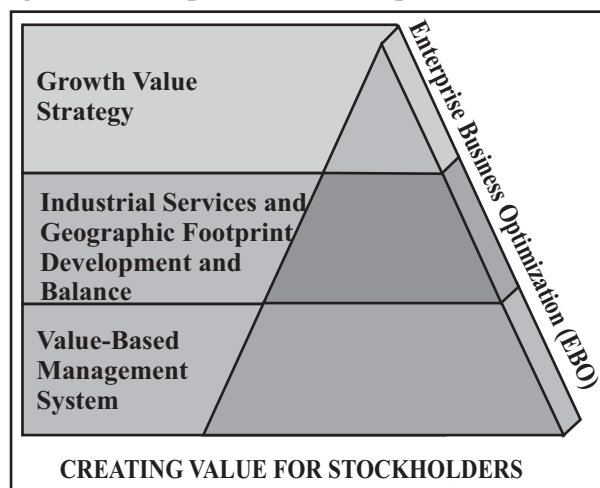
✧ REVENUE
Nearly \$4 billion in annual revenues. 85% industrial services, over 70% international.
✧ GROWTH
Worldwide operations at over 400 locations in 50 countries.
✧ LEADERSHIP
#1 or #2 market leadership in all major services and products.
✧ HISTORY
Over 150 years of leading industrial experience, including pioneering roles serving the metal, infrastructure and railway industries.
✧ DIVIDENDS
Continuous dividends since 1939, including dividend increases in each of the past 14 years.
Source: http://www.harsco.com/ [Accessed on 02 March 2007]

HARSCO'S MISSION

The organization believes in overall improvement with a futuristic perspective. The mission statement of Harsco Corporation is “To achieve consistent, superior financial returns from operations complemented by targets and prudent growth in markets and technologies familiar to the company. Enhanced shareholders' wealth will be obtained by developing and maintaining lead industry positions in the markets served through the delivery of products and services that provide the best value to the customer.”

While the Enterprise Business Optimization (EBO) is the focus for creating value for stockholders, management at Harsco has worked on it from grass root level by developing value based management system for industrial services and geographic footprint development and balance to meet the growth value strategy. The following Figure 1 gives a graphical representation of the same.

Figure 1: Enterprise Business Optimization (EBO)



Source: CEO's Report, Harsco Corporation 2007 Annual Report

CORE VALUES AT HARSCO

The core company values are given in detail in Table 2 and Figure 2. However, there are some guiding principles also that help in making the company philosophy stronger; three principal tenets driving Harsco's continuing value

creation spree are:

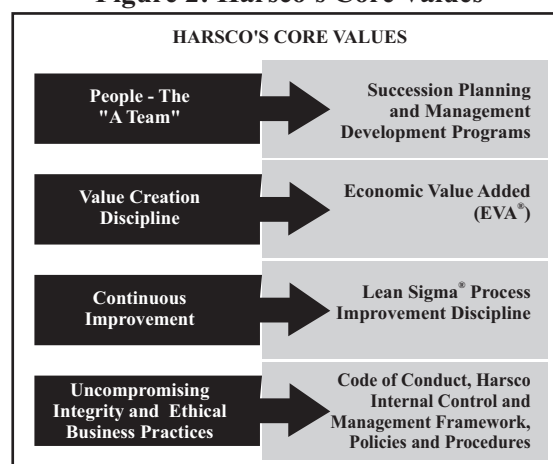
- ✘To provide a disciplined growth-oriented leadership with a strong base throughout the organization.
- ✘To diversify geographically with a balanced global portfolio of its businesses.
- ✘To maintain focus on its core competence in industrial services with a strong technology underpinning.

Table 2: Company Values

THE STRENGTH OF HARSCO IS FOUND NOT ONLY IN OUR OPERATIONS AND FINANCIAL RESULTS, BUT ALSO IN OUR VALUES.	
<u>CODE OF CONDUCT</u>	High standards of integrity are fundamental to the way we do business. These principles are outlined in our Harsco Corporation Code of Conduct, which we issue to all Harsco directors, officers and employees. The Code is also made available to our major suppliers, representatives and consultants, who are encouraged to comply with its applicable provisions.
<u>ECONOMIC VALUE ADDED</u>	EVA® represents the actual value that a company creates after all its costs are met- including the cost of the capital provided by stockholders and lenders. We apply EVA analysis to every major capital investment and procurement decision that we consider, and have made EVA performance the principal factor in our incentive compensation program at the management level company-wide. It continues to be our view that maximizing long-term EVA is consistent with maximizing stockholder value.
<u>STOCKHOLDER REWARD</u>	Harsco has a long tradition for rewarding our stockholders with a predictable and direct return on their investments. We have paid dividends every year since 1939, and have currently raised our dividend for 13 consecutive years. Our payment of quarterly dividends at the same or increased rate currently extends to more than 225 consecutive quarters without interruption.
<u>COMMUNITY INVOLVEMENT</u>	<p>Harsco aims to be a responsible corporate citizen in each of the communities in which we operate. Good citizenship and community participation are encouraged of all Harsco employees.</p> <p>Through our Harsco Corporation Fund charitable giving arm, Harsco provides financial and other support to charitable, educational, medical, and cultural activities having wide community application and support. Most of these contributions result from requests from local operating management in annual budgets. The Fund is not a grant-giving organization in the usual sense of the word; that is, it seldom makes gifts in response to unsolicited requests, or to organizations with limited purposes or special projects that do not receive wide public support.</p> <p>In the field of education, Harsco participates in the U.S. National Merit Scholarship Program and a similar international scholarship program to award college-level tuition assistance to the top-performing children of our employees in support of their career goals.</p>

Source: <http://www.harsco.com/about/values.aspx>

Figure 2: Harsco's Core Values



Source: CEO's Report, Harsco Corporation 2007 Annual Report

The fundamental “core values,” as exemplified by the value-based management system are the related practices that ensure the effectiveness at Harsco. These are summarized as follows:

PEOPLE -THE “A TEAM”

In order to continue competing and winning on an ever increasing global scale, it is essential to have the best people with the best talent and skill set. This is necessary from the grass root level up to the key positions in an enterprise. This is referred to as “A Team” initiatives. It is a systematic approach which identifies places and supports the most capable leaders, managers and employees across the organization. Although the organization has ample caliber of talent in many areas, but still the company has to work to create and build an overall “A Team” environment. The company has embarked on a three-year action plan to concentrate on explicit, key objectives in areas such as professional growth and development, succession planning, and performance management. The company will be establishing new training and development initiatives to ensure that the personnel in vital positions have the right skills and behaviors for their existing roles and for potential opportunities as well. A broad-based executive assessment and leadership training program for the senior and middle managers and frontline leaders has already begun. The company is also planning to expand the geographic execution of this program and introducing more site- and business-specific training at key operating locations. Recruitment and selection processes at Harsco are also in alignment with its the “A Team” objective for attracting and retaining top talent in key positions throughout the organization.

VALUE CREATION DISCIPLINE

Value creation discipline at Harsco has been a great success because of the commitment of the company towards Economic Value Added (EVA®). EVA is the absolute amount which remains after deducting capital charge from after-tax operating profits. A project or initiative is said to be creating value when it produces a return over and above the cost of capital- both equity as well as debt. Under EVA program, the company evaluates strategic investment on the basis of its capacity to generate economic profit. EVA has been deeply ingrained in the organization's culture. The EVA performance of the company has improved continuously after the year of EVA implementation in the organization (i.e., 2002). In the year 2007, the company exceeded EVA target by nearly 400%. The EVA targets every year are set up by the independent experts in conjunction with the Board of Directors of the company. The company has unrelenting focus on value creation, which gets reflected by the stellar EVA performance year after year. Virtually, all capital decisions as well as other decisions including management incentive compensation programs are rigorously linked to EVA.

EFFORTS FOR CONTINUOUS IMPROVEMENT

Continuous improvement in overall performance is a natural complement to the EVA discipline. The company's goal is well defined in its 2007 Annual Report as “to identify and eliminate non-value-adding activity from our core business processes” CEO's Report 2007. This facilitates elimination/ minimization of wastage and optimum utilization of resources in every area, thereby increasing overall efficiency and ultimately creating greater value for the shareholders. The objective would be reinvigorated with a new company-wide continuous process improvement methodology in the years to come. This is termed as '*optimizing the enterprise*' by the CEO of the company Mr.Salvatore D. Fazzolari. After completing a detailed fact-finding and evaluation of competing approaches, the company has chosen the path of combination of Lean and Six Sigma (LeanSigma®). This is specifically designed to get quickly to the root causes of wastage and inefficiency. The company is marching towards implementation of a sustainable continuous improvement culture throughout the organization. The company is looking forward for a transformation in the core processes through LeanSigma in the same manner as EVA has transformed the company. The CEO believes that “EVA plus LeanSigma equals long-term, sustainable value creation” (CEO'S Report, Harsco Corporation ,2007 Annual Report). The company has also done global standardization of information technology infrastructure, which is one of the most critical initiatives for supporting the company's growth. Over 98% of more than 400 operating locations worldwide now share a common infrastructure. Other initiative in the field of information technology has been to reduce significantly, the number of Enterprise Resource Planning (ERP) systems that are used throughout the world.

ETHICAL BUSINESS PRACTICES AND UNCOMPROMISING INTEGRITY

Ethical business practices and uncompromising integrity have been a trait of Harsco for long. This is reflected in the core handbooks, Policies and Procedures, Code of Conduct and Internal Control and Management Framework at

Harsco. Continuous emphasis is laid on the principles given in these books and strict enforcement by the Board of Directors, the Senior Management Team, Corporate Officers, Business Managers, and the Internal Audit Group is also insured. In order to provide consistent platform throughout the organization, the principles are translated in numerous languages to reflect the many cultures in which the company operates. Harsco is committed towards putting the best value-creating team on the field to ensure that the key strategic initiatives are executed properly to continue its global growth momentum.

While the company's objective has been to improve the organization holistically and has undertaken measures in all respects to meet its goal, this paper focuses on the EVA implementation at Harsco. The following section II discusses the EVA Implementation in detail.

SECTION II
EVA IMPLEMENTATION AT HARSCO

Harsco has been a follower of conservative financial management discipline for long but its decision for EVA implementation enabled the company to formalize these practices under a single framework throughout the company - from grass roots to top level management. In the year 2001, the company engaged US based consulting firm Stern Stewart & Co. to help in implementing the EVA based management system throughout the organization. The structure of EVA implementation was designed using Stern Stewart's "Four Ms" viz. measurement, management, motivation and mindset. The top management's thirst to maximize EVA over a long run was fundamentally consistent with the organizational goal of maximizing shareholder wealth.

The main purpose behind employing EVA was :

- 1)To improve capital allocation process.
- 2)To refurbish incentive compensation systems and
- 3)To increase the overall business literacy of the employees.

EVA at Harsco is applied for measuring performance, making financial decisions, employee compensation etc. which enables the company to focus on value creation which is at the back of all its management activities.

Table 3: Stern Stewart's Four M's

MEASUREMENT: Designing a measure of value creation that best reflects economic reality in a particular industry.
MANAGEMENT: Developing policies, procedures and tools which link decision- making to the measure of value creation.
MOTIVATION: Establishing incentive plans that simulate ownership by giving managers a share of value created.
MINDSET: Increasing the business literacy of employees through training and communications.

Source- Singer James and Miller Devin (2003) "Value based management done right", vol. 5, issue 1, pp 1-8

The EVA implementation program at Harsco commenced on January 1, 2002. It followed the Stern Stewart's Four M model described as below:

1. MEASUREMENT

The initial step in EVA based management system is to develop a sound and simple measurement system. At Harsco, major emphasis was laid on simplicity of EVA measurement system so as to make EVA an ingrained part of corporate culture. The numbers of adjustments, as suggested by Stern Stewart & Co. are over 160 to remove the accounting distortions from the operating profits. However, at Harsco, only limited number of adjustments, which would motivate changes in behavior, were identified to ensure simplicity. For example, the lease adjustment was excluded. It recognizes lease commitments as investment in capital. However, an approval of the corporate treasury is required for any EVA lease/ purchase. The treasury would give approval when operating leases add value. Hence, this decision is also economically driven.

EVA measurement system is designed in such a manner so as changes in only operating results of the company are captured. For this purpose, cost of capital and tax rates are pre-decided as hurdle rate and kept constant. This would ensure capturing true operating performance as change in interest rate or tax would not unduly affect it. Other non

operational items viz. profit or loss on disposal of assets or investments etc. are either excluded from measurement or capitalized to reduce volatility. The most critical consideration for EVA measurement at Harsco was diversified nature of the company internationally. Because of volatility of exchange rates, the adjustment for unusually high levels of deviations in exchange rate was done in order to protect managers from being whipsawed by factors out of the purview of their control. The overall success of measurement phase can be attributed to the simple and straightforward measurement system. This is easy to understand for both financial and non-financial managers and has the potential to capture the economic reality of the operations effectively. Strong MIS at Harsco further boosted the success of the measurement phase. Adjustments are incorporated easily due to Harsco's Hyperion system and are a part of the company's regular internal reporting.

2. MANAGEMENT

Second step in the EVA implementation is to bring EVA into action for facilitating better decision making, with growing diversification of Harsco's operation decision making becoming more complex. To maintain consistency in decision making within and between divisions has become challenging. There was a well felt need for a decision tool which is standardized and consistent. Harsco team worked with Stern Stewart and Co. to design a complete set of tools and documentation to address this need. Initially, tools were setup for demonstrating and supporting EVA decision framework. The first tool in place was the terms evaluator. The greatest advantage of this commonly used tool is, it makes purchasing managers and sales representatives understand the tradeoff between price changes and receivables/payables days. Changes in price would affect NOPAT whereas receivables/payables days would have impact on capital. The other tool in place was "Repair versus Replace" Model. The cost of repairing equipment is compared with its replacement by the operating manager under this model. The two options may have different expected life, which may complicate the decision making process. This model allows managers to focus on operating results.

As the project progressed, the focus shifted to creating an all income passing capital budgeting model. A model was developed by the team of experts and feedback from all the key users throughout the company was generated. Finally, a model which was user friendly and could serve diversified business units of the company was implemented throughout the organization. Another important constituent of EVA implementation was to develop the international cost of capital framework. This framework was simple yet analytically robust because adjustment for sovereign and currency risk was provided for in the local market.

3. MOTIVATION

According to Stern Stewart, it is very important to establish incentive plans that stimulate ownership by giving managers a share of value created by the company. They work hard to hand craft incentive plans that create the right balance between the goals of the organization and the goals of its employees. The ultimate goal is to create value in an organization and this is what the senior management focuses on by making use of EVA.

When the employees get the feeling of ownership, their commitment and dedication towards their work rises to high levels, which are again very critical for the success of an organization. Thus, EVA management process harnesses its success through delegation of decision rights in an organization to its subsidiary management team. This motivation requires complete out of the box thinking, which is even throughout the management team -only and then this kind of delegation becomes successful. When an employee foresees ownership in the organization's wealth, the degree of success of that company can be predicted to be very high. This kind of incentive structure is basically implemented to encourage employees to go beyond cliché' to deliver better, but sometimes, the managers negotiate lower budgets to show strong performance. But this rarely happened at Harsco. In fact, EVA implementation encouraged the managers to aggressively work for the best possible performance and the resources necessary to get there. The incentive plans where Harsco Board of Directors approved three years of incentive goals instead of one helped the managers to have lesser worries about short-term benefits. This also made them accountable to their managers which helped them in continuous improvement in value of that organization.

4. MINDSET

In a company where the organizational culture is being changed, it is very important to understand the mindset of its

employees and how they would react and adapt to the change. To develop value-creating mindsets at Harsco, Stern Stewart identified training as the best method. This training revolved around three key areas:

1. Three days EVA expert training to help the staff in the finance department understand and ensure that EVA was successfully institutionalized within the company.
2. Two days managers training were focused on developing the mindset of employees for value creation within the company. The course included presentations on topics such as EVA measurement, its importance for the organizations, details of incentive and compensation plans, simulation sessions on analyzing decisions of varying complexity, case studies on real life situations followed by a computer based EVA game to see how much did the employees learn.
3. Two days capital budgeting training to create consistent understanding of EVA and using EVA for effective decision making. All this was done using Stern Stewart EVA training tutor and training tutor express. This training was provided to all senior management employees at Harsco across all geographies for the improvement in its organizational success.

This effort helped Harsco to achieve success in its operations throughout. Today, all its employees have an access to EVA information through their internal website- EVA control. This website is available to all Harsco employees in all the countries. This effort- where the employees get an opportunity to think like the owners and have a strategic mindset has helped Harsco in having completely integrated processes and business management. Thus, EVA implementation was not a one-time investment, but it is an integral part of the organization and its people which also includes its investors. EVA implementation at Harsco helped the organization to primarily improve its financial goals and created value for the organization and its employees. All the managers are accountable for their results and it is extensively communicated to them through internal and external sources.

EVA ENGINEERED TURNAROUND AT HARSCO

To assess whether EVA implementation has engineered turnaround within the organization, few parameters were selected to see improvement in the performance of Harsco after implementation of EVA. A period of six years was taken for both pre and post EVA Implementation. The parameters selected were Revenues from continuing operations, Net Income, Total Assets, Return on Sales and Return on Average Equity. Compounded Annual Growth Rate (CAGR) was also calculated for both the periods to see the growth in the key parameters. Table 4 and 5 show the analysis done for the pre and post EVA implementation period respectively.

During pre EVA implementation period, the company recorded an Average Revenue from continuing operations of \$1790961 with CAGR of 5%. The average revenues have increased significantly to \$2,512,340 with CAGR of 11% after implementation of EVA. The Average Net Income increased to \$159,347 from \$127,443 post EVA implementation. However, the increase in absolute terms is not astonishing but the growth rate has shown tremendous increase of 30% (From negative 8% to positive 22% during post EVA implementation period). Average Total assets increased from \$1726121 to \$2,789,124 post EVA implementation. The CAGR also registered an increase from 8% to 12%. Average Return on Sales has recorded a meager drop during post EVA implementation period (i.e., from 5.22% to 5%). However, in terms of CAGR, it showed an improvement of 14% i.e., from negative 7% (Pre EVA implementation) to 7% (post EVA implementation). Average Return on Equity has also increased from 13.77% to 15%. The CAGR was negative 5% during pre EVA implementation and it has increased to 7% during post EVA implementation.

Table 4: Performance: Pre-EVA Implementation

Pre-EVA Implementation								
Performance Parameters	1996(\$)	1997(\$)	1998(\$)	1999(\$)	2000(\$)	2001(\$)	Average(\$)	CAGR(%)
Revenues from continuing operations	1557643	1627478	1733458	1716688	2003387	2107111	1790961	5%
Net Income	119009	278892	107513	90713	96803	71725	127443	- 8%
Total Assets	1324419	1477188	1623581	1659823	2180948	2090766	1726121	8%
Return on Sales	5.4	6.2	6.2	5.3	4.8	3.4	5.21667	- 7%
Return on Average Equity	14	15.1	14.3	13.9	14.7	10.6	13.7667	- 5%

Source: Authors analysis of Harsco's Annual Report from 1996- 2001

Table 5: Performance: Post-EVA Implementation

Post-EVA Implementation								
Performance Parameters	2002(\$)	2003(\$)	2004(\$)	2005(\$)	2006(\$)	2007(\$)	Average(\$)	CAGR(%)
Revenues from continuing operations	1,976,732	1824551	2162973	2396009	3025613	3688160	2,512,340	11%
Net Income	90,106	92217	121211	156657	196398	299492	159,347	22%
Total Assets	1,999,297	2138035	2389756	2975804	3326423	3905430	2,789,124	12%
Return on Sales	4.5	4.2	4.8	6	6.2	6.9	5	7%
Return on Average Equity	12.6	10.9	12.7	15.3	17.2	19.2	15	7%

Source: Authors analysis of Harsco's Annual Report from 2002 - 2007

The continuing progress of the organization confirms the wisdom and strength of conservative financial policies as well as the far-sighted discipline it applies to the use of capital to secure long-term value on behalf of the stockholders. Therefore, the observation is that Harsco's performance has improved significantly, which is evident from improvements in the Compounded Annual Growth Rate (CAGR) post EVA implementation era in all the parameters under consideration. This improvement in the performance is also attributable to the strong leadership from senior management employees who became completely committed to driving shareholder value, so much so that the company got uplifted from negative growth to positive one.

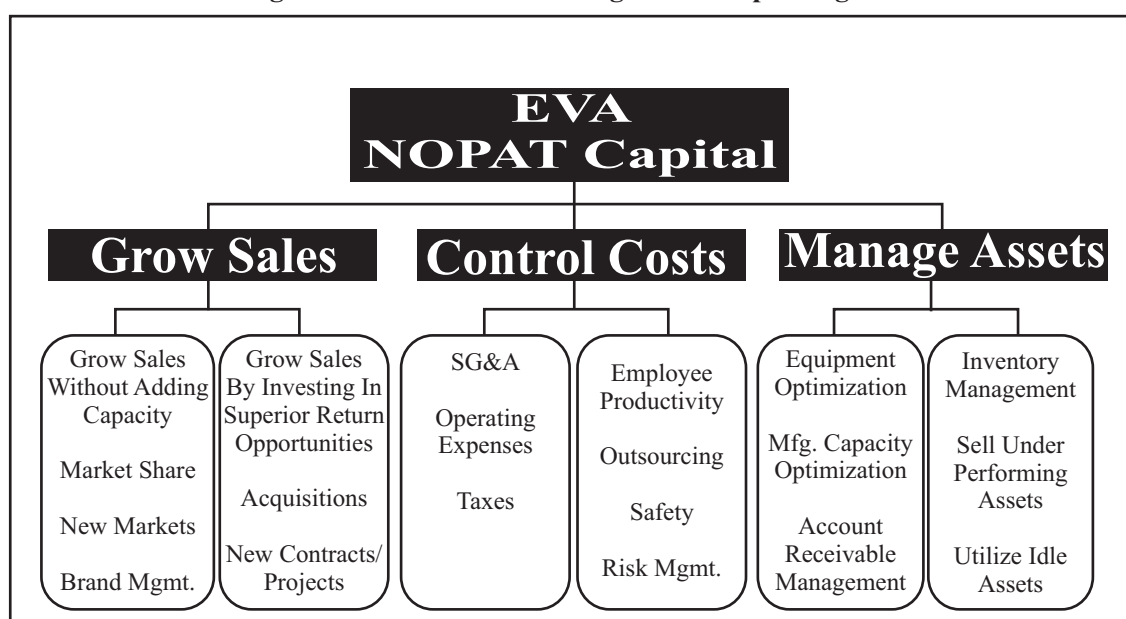
STRATEGIES FOR IMPROVING EVA

“EVA Drivers” chart is being developed by Harsco and Stern Stewart jointly. This chart graphically portrays some of the ways in which EVA improvement can be mustered. It is used daily and guides the EVA focused decision-making of Harsco managers and employees worldwide.

CONCLUSION

The continuing growth at Harsco is guided by its Value-Based Management System and Economic Value Added (EVA) is an integral part of the same. The effective performance of the company over the years has been a product of a completely balanced portfolio of substantial industrial services. **The company is well-positioned and intends to** continue investing wisely and strategically in high-return projects and acquisitions in order to reduce its debt

Figure 3: Eva Drivers: Strategies For Improving Eva



Source: “ValueBased Management, Done Right: The EVA Implementation at Harsco” Evaluation (Stern Stewart Research) Volume 5, Issue, April 2003

obligation and pay cash dividends as a means to augment shareholder value. The organization is highly captivated by EVA based system which gets reflected in the following statement, “Our adoption of EVA has been good for Harsco and for Harsco stockholders. EVA has instilled an enhanced global financial discipline within our operations that gives us a single, common framework for evaluating investments and making critical business decisions, particularly regarding our allocation of capital”, Harsco Corporation Annual Report 2006.

BIBLIOGRAPHY

- 1) Annual Report, Harsco Corporation from the year 1996 to 2007.
- 2) Ballow, John J.; Burgman, Roland; Molnar, Michael J (2004), “*Managing for shareholder value: intangibles, future value and investment decisions*”, Journal of Business Strategy, Vol. 25 Issue 3.
- 3) Ehrbar, Al (1998), “EAV: The Real Key to creating Wealth”, John Wiley & Sons Inc.
- 4) Ghosh, T.P. (1999): “*Economic Value Added- A Tool for Business Planning*”, The Institute of Cost and Works Accountants of India.
- 5) Harsco Brochure available from < <http://www.harsco.com> >
- 6) John Shiely, President of Briggs & Stratton, in Al Ehrbar, *Stern Stewart's EVA: The Real Key to Creating Wealth* (John Wiley & Sons, Inc., 1998), 223.
- 7) Laurence Booth (1998), “*What Drives Shareholder Value?*”, Presented at the Federated Press “Creating Shareholder Value” conference, October 28, 1998.
- 8) Michael L. Blyth, Elizabeth A. Friskey, and Alfred Rappaport, (1986) “*Implementing the Shareholder Value Approach*”, Journal of Business Strategy, Winter.
- 9) Ramezani, Cyrus A.; Soenen, Luc; Jung, Alan (2002), “*Growth, Corporate Profitability, and Value Creation*”, Financial Analysts Journal, Nov/Dec 2002, Vol. 58 Issue 6, p56.
- 10) Rappaport, Alfred (1997) “*Creating Shareholder Value: A guide for managers & Investors*”, rev.ed. New York: Free Press.
- 11) Singer, James A., Millar, Devin L. (2003): “Value Based Management Done Right: The EVA Implementation at Harsco”, EVAuation, Stern Stewart Research, April 2003.
- 12) Stewart, G. Bennett (1991) “*The Quest for Value*”, New York: Harper Business.
- 13) Tejapavan Gandhok (2005), “Stern Stewart's Clients create more wealth by outperforming their Peers!” EVAuation, Stern Stewart Research, Jan. 2005.
- 14) Young, S David (1999), “Some Reflections on Accounting Adjustments and Economic Value Added” Journal of Financial Statement Analysis, 4, Winter.
- 15) <https://www.turnaround.org/Publications/Articles.aspx?objectID=1421>
- 16) <http://www.sternstewart.in>

(Cont. from page 11)

- ³⁸ Thomas C. Mitchell, (1986), “The Negative Pledge Clause and the Classification of Financing Devices: A Question of Perspective, First Installment,” 60 Am. Bankr. L.J. 153.
- ³⁹ Christopher P. Hall & David B. Gordon, (1997), “Enforcement of Foreign Judgments in the United States,” 10 Int'l Law Practicum 57.
- ⁴⁰ Malcolm N. Shaw, (1997), International Law, 4th ed, 372-405.
- ⁴¹ David Asman, (1995), “The Americas: Complex Models Won't Stop Mexico's Peso From Tumbling,” Wall St. J., Feb. 17 at A11 or see generally, Scott McMurray, Soybean Futures Prices are Expected to Plunge on Reforms Unveiled by the President of Brazil, Wall St. J., Mar. 19, 1990, at C12; Observer: Caracas Chestnut, Fin. Times, July 25, 1994, at 15; Thomas Petzinger Jr. & Peter Truell, U.K. Audit Points to Larger BCCI Role by Two Top U.S. Cable-TV Executives, Wall St. J., Jan. 17, 1992, at A4. also see specifically also Central and East European Law Initiative, Currency Exchange Controls: A Concept Paper Prepared for the Government of Bulgaria, 29 Int'l Law 257 (1995)
- ⁴² Joseph L. Motes III, (1996), “A Primer on the Trade and Regulation of Derivative Instruments,” 49 SMU L. Rev. 579, 583-84.
- ⁴³ See Laura J. Porterfield, (1994), “Derivative financial instruments: time for better disclosure,” The CPA Journal Online, July 1994, at <http://www.nysscpa.org/cpajournal/old/15611641.htm> (last visited Oct. 16, 2004) (stating that derivatives may be forward contracts or options). Or see M. Y. Khan, (2007) Introduction to Indian Financial System, 5th Ed, 16.3, Tata Macgraw Publication.
- ⁴⁴ Jon Moynihan, (1990), Measuring the Risk Adjusted Profitability of Derivative Products on Bank Capital, The Handbook of Currency and Interest Rate Risk Management 25-1, 25-9 to 25-11 (Robert J. Schwartz & Clifford W. Smith Jr. eds. 1990).
- ⁴⁵ Securities Registrars Association of Australia Inc., Non Resident Withholding Tax, at http://www.sraa.com.au/non_resident_withholding_tax.htm (last visited April. 1, 2009).
- ⁴⁶ Internal Revenue Service, Publication 515 (1/2005), Withholding Tax for Non-resident Aliens and Foreign Entities, <http://www.irs.gov/publications/p515/> ((last visited April. 1, 2009).
- ⁴⁷ Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, Dec. 18, 1992, U.S.-Neth., 32 I.L.M. 462; United States-Sweden Income Tax Treaty, Sept. 1, 1994, Tax Treaties (CCH) 8801; Convention Between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, Mar. 8, 1971, 23 U.S.T. 967 This is applicable to many jurisdictions. See, e.g., Income Tax Act, 1961, § 9(1)(i) (India).
- ⁴⁸ Swaps and hedges are derivatives that are taxed in many jurisdictions. Shefali Goradia, Taxation of Financial Derivatives, <http://www.nishithdesai.com/Research-Papers/Taxation%20of%20Derivatives.pdf> (last visited 29 March 2009).
- ⁴⁹ The Financial Express Indian securitisation market: <http://www.financialexpress.com/news/indian-securitisation-market-faqs/189633/4> Accessed on 2 April 2009.
- ⁵⁰ Id
- ⁵¹ Jeffrey H. Chen, Record Breaking Cross-Border RMBS Closes in Korea: Deal Size and Length Illustrate Strength of the Market, http://www.jonesday.com/files/Publication/1613eb36-9379-45fd-8f9c-613f3616b1d2/Presentation/PublicationAttachment/ee3324ff-e381-4142-a455-8f6a43946f41/Chen_interview.pdf accessed on 2 April 2009.