

## Analysis of Eva Performance Evaluation System——Taking Maotai in Guizhou as an Example

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### Abstract

eva (economic value added) is a kind of enterprise performance evaluation index system with value creation as the core. It breaks through the traditional management concept and proposes to include the use value of equity capital in the cost of enterprise capital, according to the positive and negative values of eva. To judge whether managers create value for the company, the eva indicator is a powerful tool to protect shareholders' wealth and prevent conflicts between companies and stakeholders. In order to illustrate the role of eva in corporate performance evaluation, combined with the rapid growth of gross profit and the negative eva value of Chinese enterprises in recent years, the article chooses Guizhou Moutai as the research object, and uses traditional performance evaluation indicators and eva before and after. The indicators evaluate the performance of Guizhou Maotai in 2012-2017, and compare and analyze the empirical results of the two performance evaluation methods. In view of the practical application of eva in performance evaluation, it provides suggestions and references for adopting eva to evaluate enterprise value creation.

### Keywords

Analysis of Eva, Performance Evaluation System.

### 1. Introduction

Guizhou Maotai Liquor Co., Ltd. was established in November 1999. It was founded by China's Guizhou Maotai Distillery Co., Ltd. as the main sponsor and jointly established with 7 other companies. The registered capital is 185 million RMB, mainly engaged in Maotai liquor series. Production and sales of related products.

Moutai is known as China's "national wine" and has a long history. It is favored by people from all walks of life at home and abroad with its unique craftsmanship.

In August 2001, Guizhou Moutai Co., Ltd. was listed on the Shanghai Stock Exchange. With its good reputation and wide popularity, it was greatly concerned when it went public, and its stock issuance price reached 31.19 yuan per share. After that, it was optimistic about the majority of investors. After many times, the stock price was still several times higher than the issue price. Today, Guizhou Moutai is no one in the stock market. In 2016, it became the first high-priced stock in China, and won the reputation of "shared king" in one fell swoop. In June 2018, its stock price fluctuated around 751 yuan, becoming one of the highest-priced stocks in the stock market. The stock price of Kweichow Moutai can lead the stock market, which is inseparable from the operating results of its company. It can be seen from its published financial statements that the company's performance has continued to rise in recent years, operating income and net profit have doubled, and the company's scale is constantly expanding. However, the traditional accounting method does not consider the whole cost of capital, and can not fully and objectively reflect the company's profitability, so this paper will introduce a new performance evaluation method - EVA performance evaluation, the company's management Conduct a comprehensive and objective analysis and evaluation of performance to further study the value creation ability of enterprises. Economic Value Added (EVA) is an important part of Sterm&Stewart's corporate performance evaluation methodology established in 1982. It is defined as the after-tax profit (NOPAT) minus the equity plus debt after processing the company's profit and loss financial report. After the difference between the sunk costs of the investment, the use of this

standard can reliably deal with some shortcomings of the existing enterprise performance evaluation methods, and can better achieve the financial goal of “maximizing enterprise value”.

## 2. Research status at home and abroad

With the continuous improvement of the market mechanism, the corporate financial management objectives have changed from the traditional “profit concept” to “enterprise values”. The importance of value is listed at the top of the business development. This requires enterprises to transform the traditional management objectives of maximizing profits and maximizing scale into a value management system based on value and maximizing shareholders' equity, and achieve the goal of maximizing corporate value. The theoretical basis for economic value added (EVA) comes from the economic model of company value in 1958 by Merton H. Miller and Franco Modigliani. In the early 1990s, Joel Stem and Bennett Stewart of the United States put forward the concept of economic value added on this basis. As EVA is widely used by American Stern Tech Consulting, foreign scholars have begun a lot of research on EVA theory. In 2001, economic value added was introduced to China as a new type of enterprise evaluation index, which caused widespread concern in the academic and practical circles.

### 2.1 Status of foreign research

#### (1) Value correlation research

In 1993, Fortune published an article detailing the concept of EVA, the practice of Stem Stewart, and the successful use of EVA by some well-known American companies, which triggered the attention of EVA. In those years, EVA became the hottest financial indicator. Therefore, the empirical literature on whether EVA is more relevant than other accounting indicators and stock returns and company value is gradually increasing. Some scholars believe that EVA is more relevant to MVA, corporate value and stock returns; some scholars believe that traditional accounting indicators are generally better than EVA, and have a higher correlation with corporate value and stock returns.

Vishwanath.SR (2010) conducted research on the three processes of value management of Godre's EVA solution, namely, establishing EVA center, EVA driver factor decomposition, EVA incentive mechanism, and pointed out that EVA value management can enhance enterprise value.

Shimon Chen (2010) conducted research on 566 US companies, and explained the value of the company. Compared with traditional economic indicators, eva has a higher explanatory power. The interpretation power of eva is about 41%; the explanatory power of traditional economic indicators is about 36.59%.

Joel M. Stem (2012) first introduced the related concepts of economic added value and free cash flow, further compared the advantages and disadvantages of the two, and used the regression method to further bring in a large amount of enterprise data and conducted a series of empirical analysis. It proves that the evaluation of economic value added is more advantageous.

#### (2) Performance evaluation research

The performance evaluation theory entered the stage of prosperity and development from the 1990s. At this stage, financial indicators based on economic value, such as eva, cash value added (cva), and return on investment cash flow, began to receive widespread attention. Many scholars believe that indicators based on economic value reflect the company's real economic profit more than any other method, and are the most realistic evaluation indicators for enterprise performance evaluation. Only the use of economic value-based indicators can effectively combine the goal of maximizing shareholder value with the specific goals within the company.

GBennett Stewart, Daniel Babington, and Martin Ellie (2003) evaluated the performance of the company by selecting the data from 2000-2002 as the sample size. The results showed that the total return rate of the company was higher than that of Standard & Poor's in the downturn of the stock market. Nearly 70 percentage points.

Lokanandha (2006) also believes that EVA as a tool for evaluating business performance has certain feasibility, not only in the calculation process, but also that EVA can better coordinate the conflict of interest between managers and investors.

Stewart, Bennett (2009), through the decomposition calculation of EVA, can be seen that EVA has superiority with respect to other indicators in performance evaluation, identification of investment opportunities, and trade-off risks.

## 2.2 Status of domestic research

In 2001, Sterntech introduced EVA to China for the first time, actively promoted EVA performance evaluation theory, and queued the application of EVA indicators to attract attention to EVA. Many domestic scholars began to add value to the economy from all aspects. Conduct analytical studies. In 2010, the State-owned Assets Supervision and Administration Commission officially used the EVA indicator to conduct an assessment of the performance of the heads of central enterprises. China's research on EVA mainly focuses on value correlation research, performance evaluation research and economic value added adjustment research.

### (1) Value correlation research

Domestic research on EVA started relatively late. Some scholars have found through research that EVA truly reflects the intrinsic value of listed companies' stocks. The trend of EVA changes basically reflects the changes in stock market value.

Liu Wei (2011), based on the No. 22 order of the State-owned Assets Supervision and Administration Commission, conducted research on the application of the EVA index in performance evaluation, pointing out that the value management indicator of EVA can make up for the defects of the traditional profit assessment indicators, and the central enterprises are responsible for People can improve the EVA metric by leveraging both external supply chains and internal management.

Sun Yu (2014) selected Internet companies as case study objects according to different listing locations, first conducted financial analysis on case companies, and evaluated Internet companies with EVA evaluation models.

Xu Guanbi (2015) and Liu Qing (2015) conducted research on Baidu and Tencent, and believed that using the EVA valuation model to evaluate their overall value has certain applicability. However, for the initial Internet companies, the evaluation of enterprise value using the EVA model is not Applicability.

### (2) Performance evaluation research

In the 21st century, the domestic research on EVA no longer stays at the theoretical level, and has begun to carry out a large number of empirical studies. Some scholars use EVA to evaluate the overall performance of listed companies and the operating performance of different sectors, pointing out that EVA provides evaluation of company performance. A new idea. In recent years, the State-owned Assets Supervision and Administration Commission (SASAC) has begun to emphasize the importance of EVA's evaluation of business performance and gradually deepen the concept of EVA as a new performance appraisal method.

Qiu Qiufang (2012) "The Theory of Enterprise Performance Evaluation", the paper introduces the changes and characteristics of the performance evaluation theory since the 1980s, which elaborates the advantages and disadvantages of the DuPont system analysis method and the balanced scorecard method, and presents the current There are two representative contents in the performance evaluation in China: First, the author proposes that each performance evaluation has a certain degree of emphasis. Therefore, there is a one-sidedness. Therefore, it is a certain degree of superiority to integrate the above performance evaluation methods to establish a comprehensive evaluation system that complements each other's strengths. Second, the current evaluation system emphasizes too many individual indicators, ignoring the importance of the overall framework. In the process of building the new system, we will try to establish a more scientific and reasonable framework system to avoid the above problems.

Chi Guohua and Zou Wei (2014) found that using the eva indicator in the management compensation mechanism can effectively reduce non-efficiency investment; the higher the effective value of the eva indicator, the better the suppression effect on non-efficiency investment.

Lutong (2018) found that eva can be used as an efficient bank performance evaluation system to objectively and truly reflect the bank's operating performance. In the context of macroeconomics, facing the complex and ever-changing internal and external environment, for commercial banks. Operational decision-making innovation and transformation provide an effective guiding role.

### 2.3 Research Review

It can be seen from the above literature review that eva has become one of the key research theories at home and abroad. Through years of research, the scientific and advanced nature of its theory has been confirmed. Eva began to study abroad, and the interpretation and application research of this theory has been deepened abroad, and it has begun to use this theory as one of the evaluation methods in large companies, and there have been cases of successful application. These have promoted the application of this theory and theory to the development of practice. Due to the slow start of domestic research and the imperfect development of China's market economic system, the implementation of this theory has certain limitations, and the application conditions are not fully available. Although the theory is mature, the theory combines national conditions and enterprises with less success. Therefore, there are still many problems in the practice of eva in China. For example, the implementation does not combine the new accounting standards, the weights are given to the fixed, the theory of the stakeholders is not combined, and the eva indicators caused by the imperfect capital market do not match the actual situation. problem.

## 3. Overview of eva performance evaluation system

SternStewart & Co. defines EVA as the adjusted net profit from operating costs minus the cost of capital. With the rise of the EVA concept wave, economic value added is no longer a numerical value, but as an innovative concept, it measures the long-term value creation of enterprises. A positive EVA value indicates that management has created value for shareholders; otherwise, it does not. The formula is as follows:

$$\begin{aligned} \text{Eva} &= \text{net operating profit after tax} - \text{cost of capital} \\ &= \text{After-tax net profit} - \text{Total capital} * \text{Weighted average cost of capital} \end{aligned} \quad (3-1)$$

According to the definition of formula (1)eva, eva is the difference between the adjusted net operating profit and the cost of capital. Explaining the two indicators from the right side of the equation respectively helps to deepen the understanding of the eva connotation. First, the adjusted net operating profit is realized through the accounting adjustment of eva, mainly because the data for calculating the economic value added comes from the financial statements of the enterprise, and the financial statements are prepared under the current accounting standards. The accounting profit is The net profit of the enterprise after deducting the interest of the debt excludes the cost of the use of the capital from the creditor. Obviously, it is an evaluation index based only on the position of the owner of the enterprise; at the same time, as a product of the ratio of income to expenses, due to Income and expenses have special reflection criteria in accounting. Therefore, if the income and expenses are operated, accounting profits will be manipulated. Therefore, the data of the financial statements cannot truly and comprehensively reflect the business performance of the company under the influence of the standards. In order to eliminate the impact of accounting distortion on the value of calculating economic value added, according to China's current accounting standards, common accounting adjustment items are listed below.

Table 1 Comparison of current accounting standards and eva processing

Accounting adjustment project	Current accounting standards	Eva processing
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Provision for impairment	Before the substantial loss occurs, the asset impairment loss is included.	Less is not regarded as a reduction in the current assets of the enterprise and should be added back to the total cost of capital.
Processing and adjustment of deferred income tax	Deferred income tax assets or deferred income tax liabilities	Deducting according to the actual income tax
Long-term prepaid expenses	One-time expenditure incurred, but the longer benefit period is included in the current profit and loss	Capitalize such expenses and amortize them for a certain benefit period
Market development costs	Once written, it will be written off as a one-time fee.	Capitalize market development costs and amortize them on a case-by-case basis
Non-daily profit and loss	Accounting for non-operating income and expenditure	Capitalize to match the company's future benefits or losses
government subsidy	Deferred income	Should not be included in pre-tax operating profit and should be deducted
Financial expenses	As current expenses	As a pre-tax income
Operating lease	Interest incurred is included in the current expenses	Interest paid should be used as cost of capital
Restructuring loss	One-time write-off of restructuring losses	Restructuring losses are included in the restructuring investment and amortized over a certain number of years

The main adjustment direction: (1) is not the actual reduction of the current assets of the enterprise, nor the cash expenditure of the current expenses. If the total capital and cash profit of the actual operation of the enterprise are underestimated, it should be added back to the total cost of capital, for example, each of the accrued Impairment preparation; on the contrary, if the income of the enterprise does not result in an overestimation of the total assets of the enterprise, it should not be included in the pre-tax operating profit and should be deducted, such as government subsidies.(2) The only tax that the enterprise should deduct from the current profit is the current actual payment of taxes, not the deferred income tax expense with uncertainty, so it should be deducted according to the actual income tax expense.(3) The one-time expenditure incurred by the enterprise but the long-term expenditure or investment with a long benefit period is contributing to the long-term development. The effect period is not only the current period of occurrence, but the capitalization of such expenses shall be spread according to a certain benefit period. Sales, for the long-term development of the company to enhance the stamina, such as long-term deferred expenses, market development costs; or non-daily profits and losses that shareholders must bear, capitalize it to match the company's future benefits or losses .

Secondly, the essence of capital cost is the opportunity cost of investing capital, which refers to the book value of all the funds invested by all investors (including creditors), and the profit of the enterprise is only higher than the cost of capital (the sum of the cost of equity and the cost of debt). In order to create value for shareholders, the cost of capital takes into account the composition of the capital structure of the enterprise and the cost of capital of the enterprise. Therefore, eva is the creation of the capital value of the investor's invested capital after the company's continuous operation. The capital value after the investment and the continuous operation is reflected by the total capital and the adjusted net operating profit.

#### 4. Guizhou Moutai Traditional Performance Evaluation

In the past research, the performance evaluation of Guizhou Maotai was based on the calculation method, and the three core DuPont analysis methods of corporate profitability, operation and solvency were used for performance evaluation. This section mainly selects the performance of Guizhou Maotai 2012-2017.

Table 2 Guizhou Moutai 2012-2017 ROE

project	2012	2013	2014	2015	2016	2017	
Profitability	Operating income	2,645,533.52	3,107,059.62	3,221,721.37	3,344,685.90	4,105,508.44	6,106,275.69
	Operating cost	204,430.65	219,392.03	233,855.05	253,833.74	341,010.41	594,043.64
	Net profit	1400845.07	1596489.99	1626937.15	1645499.66	1793064.31	2900642.32
	Net profit	50.30%	48.72%	47.64%	46.35%	41.63%	44.35%
	Industry average sales net profit	15.5%	14.2%	9.2%	12%	13.7%	—
	Difference rate						—
Operating capacity	Operating income	2,645,533.52	3,107,059.62	3,221,721.37	3,344,685.90	4,105,508.44	6,106,275.69
	Total assets	4,499,820.90	5,545,415.07	6,587,316.52	8,630,146.34	11,293,453.83	13,461,011.69
	Asset turnover	0.66	0.62	0.53	0.44	0.40	0.49
	Industry average asset turnover	0.90	0.90	1.50	0.60	0.60	—
	Difference rate	-0.24	-0.28	-0.97	-0.16	-0.20	—
Long-term solvency	Total assets	4,499,820.90	5,545,415.07	6,587,316.52	8,630,146.34	11,293,453.83	13,461,011.69
	Total liabilities	954,417.26	1,132,505.84	1,056,161.44	2,006,729.30	3,703,599.54	3,859,048.94
	Equity Multiplier	1.35	1.31	1.26	1.30	1.46	1.51
	Industry average equity multiplier	2.48	2.5	2.22	2.5	2.5	—
	Difference number	-1.13	-1.19	-0.96	-1.2	-1.04	—
Return on equity (roe)	45%	39.43%	31.96%	26.42%	24.44%	32.95%	
Industry average return on equity	4.6%	4.1%	3.6%	4.2%	5.9%	—	
Difference rate	40.4%	35.33%	28.36%	22.22%	18.54%	—	

Data source: Wind database

Through Table 2, although the net profit margin of Guizhou Moutai decreased from 2012 to 2017, it was always higher than the industry average, indicating that the company's ability to obtain profits through sales expansion is stronger; secondly, Guizhou Moutai's asset-liability ratio is low, and equity is multiplied. The smaller number indicates that the company's debt level is low, and the proportion of company assets invested by shareholders is large. In other words, the company's equity capital is higher. Of course, these two indicators also reflect that the company's financial risk is small and credit is good. Then, the turnover rate of Guizhou Moutai assets continued to decline, always lower than the industry average, indicating that the operating efficiency of Guizhou Moutai assets is not very good, the income obtained is not particularly high, and the profitability is not particularly strong; finally, the net assets income is integrated. The rate of China Eastern Airlines is better than the industry average. The dominant position in the industry is very significant, indicating that China Eastern Airlines has a good income and a solid operating foundation.



## 5. Eva application in Guizhou Moutai performance evaluation

### 5.1 Calculating the net operating profit after the tax of Guizhou Maotai

The net operating profit after tax is one of the main factors affecting eva. The essence is the income obtained by the enterprise after deducting the full capital tax. It can be calculated using the formula (3- 1), see Table 3.

Net profit after tax = profit before interest and tax (1 - 25%) + minority shareholders' equity + deferred income tax credit balance + increase in bad debt provision - balance of non-operating income\* (1-25%)

Table 3 Guizhou Maotai 2012-2017 after-tax operating profit (unit: 10,000 yuan)

years	2012	2013	2014	2015	2016	2017
Net profit	1400845.07	1596489.99	1626937.15	1645499.66	1793064.31	2900642.32
Plus: income tax	1870049.05	2143236.04	218234.24	2200171.50	2395788.10	3874007.21
Financial expenses	-42097.59	-42907.44	-12316.88	-6726.68	-3317.52	-5572.23
EBIT	3228796.53	3696818.59	3665709.02	3838944.48	4185534.89	6769077.3
Income tax rate	0.25	0.25	0.25	0.25	0.25	0.25
Less: Earnings before interest and taxes	807199.13	924204.65	916427.255	959736.12	1046383.72	1692269.33
After-tax profit	2421597.4	2772613.94	2749281.77	2879208.36	3139151.17	5076807.97
Plus: minority shareholders' equity	130,438.23	150,687.58	188,114.84	230,819.20	300,440.51	456,810.46
Deferred income tax credit balance	—	—	—	—	—	—
Increase in bad debt reserve balance	0	0	286,929.18	1337812.31	1604885.49	2,687,262.96
Increase in provision for impairment of fixed assets	0	0	-109,700.23	-24,538.99	-16,365.36	0.00
Deposit and loan falling price preparation increased	0	0	0	0	0	0
Less: After-tax net value of non-operating income and expenses	0	0	0	0	0	0
Net operating profit after tax	2552035.63	2923301.52	3114625.56	4423300.88	5028111.81	8220881.39

Data source: Wind database

### 5.2 Calculating the total capital of Guizhou Maotai

The total amount of capital is the sum of debt capital, equity capital and adjusted equity capital, minus the net value after construction. among them:

Debt cost = short-term borrowing + long-term borrowing + long-term borrowing due within one year + bonds payable (3- 2)

Equity Capital = Total Equity Interest + Minority Equity (3- 3)

Equity Capital Adjustment = Bad Debt Reserve + Inventory Depreciation Reserve + Fixed Asset Depreciation Reserve + Deferred Credit Balance (3-4)

Therefore, the formula for calculating the total capital:

Capital cost = debt capital + equity capital + approximate equity capital - construction in progress (3-5)

Table 4 Total capital of Guizhou Maotai 2012-2017 (unit: 10,000 yuan)

years	2012	2013	2014	2015	2016	2017
Total shareholders' equity	3,545,403.64	4,412,909.23	5,531,155.08	6,623,417.04	7,589,854.29	9,601,962.75
Plus: minority shareholders' equity	130,438.23	150,687.58	188,114.84	230,819.20	300,440.51	456,810.46
Deferred income tax credit amount	—	—	—	—	—	—
Bad debt preparation	9535543.2	6611510.9	7174256.78	6054423.39	7,322,085.84	9,978,215.66
Fixed assets impairment provision	2,182,559.87	2,182,559.87	2,072,859.64	2,048,320.65	2,031,955.29	2,031,955.29
Deposit and loan depreciation reserve	1,283,984.83	1,283,984.83	1,283,984.83	1,283,984.83	1,283,984.83	1,283,984.83
Short-term borrowing	—	—	6,255.25	—	—	—
Long-term loans that arrive within one year	—	—	—	—	—	—
Long term loan	—	—	—	—	—	—
Bonds payable	—	—	—	—	—	—
Less: construction in progress	201,640.50	274,558.00	489,515.07	342,177.44	45,632.83	39,267.23
Capital amount	16476289.27	14367094.41	15767111.35	15898787.67	18482687.93	23313661.76

Data source: Wind database

### 5.3 Calculating the average cost of capital in Guizhou Moutai

The cost of capital is the price that the enterprise needs to pay to the creditor or the investor in order to obtain a new capital. Therefore, the cost of capital includes both the cost of equity capital and the cost of debt capital. The capital structure of an enterprise is the basis for calculating the average cost of capital.

Table 5 Weighted average cost of capital in Guizhou Maotai 2012-2017

years	2012	2013	2014	2015	2016	2017
Weighted average cost of capital (%)	5.5	5.5	5.5	5.5	5.5	5.5

Source: Guotaian Database



### 6. Calculate the value of Guizhou Maotai eva

Bring the above results into the eva formula to get Table 7:

Table 6 Guizhou Maotai Company 2012-2017 eva value

years	2012	2013	2014	2015	2016	2017
Net operating profit after tax	2,552,035.63	2,923,301.52	3,114,625.56	4,423,300.88	5,028,111.81	8,220,881.39
Total capital	16,476,289.27	14,367,094.41	15,767,111.35	15,898,787.67	18,482,687.93	23,313,661.76
Weighted average cost of capital (%)	5.5	5.5	5.5	5.5	5.5	5.5
Eva value	1,645,839.72	2,133,111.327	2,247,434.436	3,548,867.558	4,011,563.974	6,938,629.993

### 7. Comparative analysis of eva index and traditional performance evaluation

This paper compares the eva value of Guizhou Maotai in 2012-2017 with the net profit. The analysis is as follows:

Table 8 Comparison of net profit and eva of Guizhou Maotai Company in 2012-2017

years	Operating income (100 million yuan)	Net profit (100 million yuan)	Eva (100 million yuan)	ΔEVA
2012	2,645,533.52	1,400,845.07	16,458,39.72	
2013	3,107,059.62	1,596,489.99	2,133,111.33	487,271.61
2014	3,221,721.37	1,626,937.15	2,247,434.44	114,323.11
2015	3,344,685.90	1,645,499.66	3,548,867.56	1,301,433.12
2016	4,105,508.44	1,793,064.31	4,011,563.98	462,696.42
2017	6,106,275.69	2,900,642.32	6,938,629.99	2,927,066.01

From the overall trend, the net profit and eva value of Guizhou Maotai in 2012-2017 both showed a continuous “v-straight” trend, and the net profit and eva value were always greater than 0, indicating that Kweichow Moutai has been in the past six years. Shareholders create wealth and value creation is also reflected. At the same time, eva is significantly higher than net profit in each year, indicating that China Eastern's profitability is as optimistic as the net profit indicator reflects.

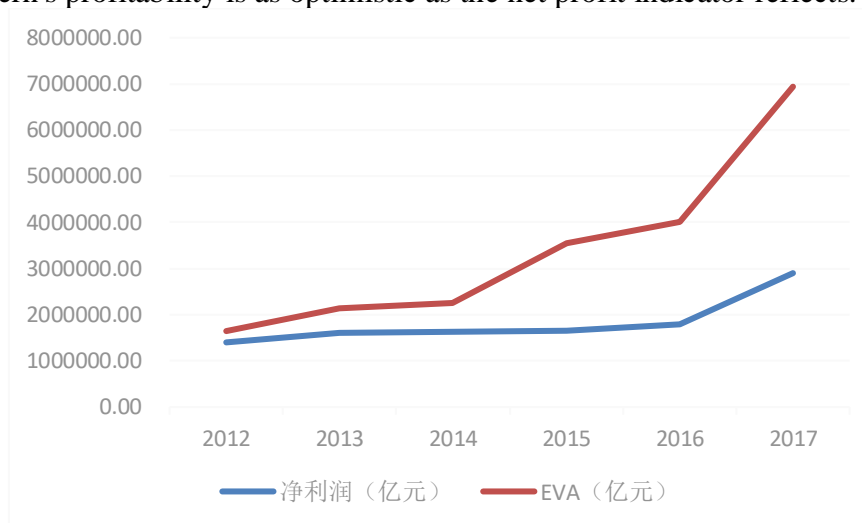


Figure 1 Comparison of net profit and eva value of Guizhou Maotai Company in 2012-2017

In 2012, the sales volume and price of Guizhou Maotai Company increased year-on-year.

In 2013, the industry concentration was further improved, the industrial structure was more reasonable, the industry development returned to rationality, and it will enter a benign and healthier growth track, which will be more conducive to the sustainable growth of famous enterprises with brand power and marketing capabilities.

In 2014, investment growth was weak, new consumption hotspots were few, some areas still had potential risks, industrial product prices continued to fall, production factor costs rose, the international market did not have a big improvement, and the downward pressure on the economy further increased. In 2014, Maotai won the first place in the brand reputation of liquor brand, the first place in brand recognition and the first in quality recognition. Good word of mouth has become a new “wind vane” for the consumption of the people.

In 2015, the liquor industry began to gradually adapt to the new market consumption trend and stopped the rapid decline. Although the liquor industry has initially turned around, it is still in the bottoming stage in terms of external demand, population structure and channel adjustment. At present, the characteristics of the liquor industry: First, overcapacity, oversupply. Second, the growth rate has entered a single digit growth. With the slowdown in macroeconomic growth, the growth rate of liquor has shifted from high-speed growth to low-to-medium growth. Third, the industry has entered squeeze competition. In the squeeze competition stage, only companies with strong brands and channels can seize opportunities and increase market share.

In 2016, the liquor industry has undergone in-depth adjustment in recent years. Under the initiatives of famous liquor companies to promote long-term culture, optimize product structure, strengthen market control, and intensively cultivate the market, the growth rate of output continues to be at the bottom, and the income and profits are recovering. The strong differentiation of the recovery situation.

In 2017, the liquor industry entered a new round of growth period, showing a good trend of stable production and sales, improved efficiency, better structure and enhanced vitality, and some new positive changes. Liquor companies have seized new retail opportunities, actively deployed e-commerce channels, and continued to plow the market. Kweichow Moutai is a leading company in the national liquor industry. The company has demonstrated the outstanding contribution of economic development, the highlighting of brand building achievements, the improvement of cultural marketing level, the remarkable effect of structural adjustment, and the positive fulfillment of social responsibility. The company's leading product “Guizhou Moutai” has strong brand influence at home and abroad. It is one of the world's three major distilled wines, and is also a liquor brand integrating national geographical indication products, organic food and national intangible cultural heritage. The increase in net profit and eva value in 2017 was mainly due to the increase in sales of our products in 2017 compared to the previous year.

Seven, summary and recommendations

#### (1) Summary

In summary, eva can surpass the basic information reflected by traditional financial indicators and is closer to the actual operating conditions of the company. Specifically, the growth of corporate net profit does not mean that the company creates the maximum value that its invested capital can exert for the shareholders. All the capital owned by the enterprise, regardless of equity or debt, has its own cost of use, only more than all The profit created by the opportunity cost enterprise is the real value creation. Using only traditional financial indicators will overestimate the company's operating efficiency and operating results, and cannot reflect the value created by the company actually exceeding the cost of capital. Eva will realize the overall thinking of debt and equity costs and fairly reflect the operating conditions of the company. This goal. At the same time, eva also has some shortcomings, such as only reflecting the staged business results of the enterprise and the lag of evaluation timeliness. This article does not do in-depth analysis, and will be discussed later.

(II) Suggestions on the adoption of eva performance evaluation by enterprises

The main purpose of enterprise existence is to create value and be influenced by the theory of stakeholders. Modern enterprises should take relevant stakeholders into consideration when value is measured. Among them, the value of shareholders is the first thing we must consider. In order to effectively measure the creation of corporate value, eva should consider the costs of equity, debt, profit and loss, etc. After the calculation and comparison of the traditional performance evaluation and eva value of Kweichow Moutai for 6 years, the following points are mainly proposed. improve proposals.

Encourage corporate value creation. The original intention of establishing an eva performance evaluation system is not that companies can quickly generate profits, but to enable enterprises to pay more attention to their future development. As the case of Guizhou Moutai Company, because it is in the period of reform and transformation, enterprises need a lot of capital expenditure, and can not create value in a short time. The enterprise should combine the strategic objectives with the eva system, and examine the degree of implementation of the company's strategic objectives through the establishment of the stage eva assessment target value, and test whether it meets the standards. The eva evaluation system can be monitored and controlled by this process to help companies achieve their strategic goals.

Establish a comprehensive corporate performance evaluation system that combines eva with bsc. As a phased assessment indicator, eva should be set as the core indicator in the eva-bsc system. The enterprise's total eva indicator is gradually decomposed into the individual eva indicators of each department, so that each department can conduct performance appraisal. At the same time, the value creation of the enterprise can not be realized overnight, eva reflects the value performance of a certain stage of the enterprise, and through the bsc mode, the evaluation cycle of eva can be segmented, and the enterprise can monitor this process at any time.

Optimize asset structure. A good capital structure helps companies to increase their eva value. In daily business activities, companies should reduce the proportion of non-performing assets, such as reducing old fixed assets and considering supplier credit to reduce the risk of bad debts. Reasonably grasp the degree of debt. In addition, when making investment decisions, companies should make full use of the various information obtained, adopt investment decisions that are consistent with their own industry characteristics, and rationally allocate various economic resources.

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