

## HW - Chapter 6 - Leverages - Q2

1. Operating Leverage = Contribution  $\div$  EBIT

$$\text{EBIT} = \text{Rs. } 3,75,000 \div 6 = \text{Rs. } 62,500$$

2.  $\text{OL} \times \text{FL} = \text{CL}$

$$6 \times \text{FL} = 24$$

$$\text{Financial Leverage} = 4$$

$$\text{Financial Leverage} = \text{EBIT} \div \text{EBT} = 4$$

$$4 = 62500 \div \text{EBT}$$

$$\text{EBT} = \text{Rs. } 15,625$$

$$\text{Earnings after Tax (EAT)} = \text{EBT} (1 - t) = \text{Rs. } 15,625 (1 - 0.30) = \text{Rs. } 10,938$$