

## HW - Chapter 6 - Leverages - Q3

### Income Statement with required calculations

Particulars	(Rs.)	(Rs.)
Sales in units	1,20,000	1,00,000
Sales Value	14,40,000	12,00,000
Variable Cost	(9,60,000)	(8,00,000)
Contribution	4,80,000	4,00,000
Fixed expenses	(2,00,000)	(2,00,000)
EBIT	2,80,000	2,00,000
Debenture Interest	(1,00,000)	(1,00,000)
EBT	1,80,000	1,00,000
Tax @ 30%	(54,000)	(30,000)
Profit after tax (PAT)	1,26,000	70,000
No. of shares	10,000	10,000
(i) Financial Leverage = EBIT ÷ EBT	$2,80,000 \div 1,80,000 = 1.56$	$2,00,000 \div 1,00,000 = 2$
(ii) OL = Contribution ÷ EBIT	$4,80,000 \div 2,80,000 = 1.71$	$4,00,000 \div 2,00,000 = 2$
(iii) Earnings per share (EPS)	= Rs. 1,26,000 ÷	= Rs. 70,000 ÷
= PAT ÷ No. of shares	$10,000 = 12.6$	$10,000 = 7$
Decrease in EPS	= Rs. 12.6 - Rs. 7 = Rs. 5.6 % decrease in EPS = $5.6 / 12.6 \times 100 = 44.44\%$	