

QUESTION

1. A company's operating leverage is 1.5. If sales increase by 10%, what is the expected percentage change in operating income?
2. A company's operating leverage is 1.5. If sales decrease by 10%, what is the expected percentage change in operating income?
3. A company's operating leverage is 1.5. If sales increase by 10%, what is the expected percentage change in net income?
4. A company's operating leverage is 1.5. If sales decrease by 10%, what is the expected percentage change in net income?

ANSWER

1. 15% increase
2. 15% decrease
3. 15% increase
4. 15% decrease

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