



Indifference Point in Capital Structuring



EBIT-EPS Analysis

$$CS1 = CS2$$

$$EPS1 = EPS2$$

Business

Owners 25%

Debt 75%



$$EPS1=EPS2$$

$$(EBIT-I_1)(1-t)-Pd/E_1=(EBIT-I_2)(1-t)/E_2$$

EBIT

IDP