1.A case study could involve comparing two projects with different payback periods to demonstrate their relative attractiveness and risk profiles.*Capital Budgeting Techniques*: – *Profitability Index (PI)*: PI measures the ratio of present value of future cash flows to the initial investment.However, while high operating leverage can amplify profits in good times, it also increases sensitivity to changes in sales volume.Practical examples could include comparing the evaluation of two investment projects with different risk profiles, where one requires a higher cost of capital due to greater perceived risk.For example, comparing two projects with different initial investments and cash flows to determine which one offers better value.Shorter payback periods are generally preferred as they indicate quicker recovery of the initial investment.In a downturn, a company with high operating leverage will experience a sharper decline in profits due to the fixed costs.A case study could involve comparing two companies in the same industry, one with high operating leverage and the other with low operating leverage, during different economic cycles to demonstrate these effects.2.3.