The relationship between financial leverage and operational leverage is significant. Positive relationship between accruals and degree of operating leverage is meaningful. There is an inverse relationship between discretionary accruals and financial leverage. Between variables of firm value and financial leverage, the former is positively correlated with the latter.

The following are the major differences between operating leverage and financial leverage:

1. Employment of fixed cost bearing assets in the company's operations is known as Operating Leverage.
2. Employment of fixed capital is known as Financial Leverage.

Operating leverage is an indicator of how a company's costs are structured and is used to determine the break-even point for a company. The break-even point is where the revenue from sales covers all costs.
Debt and leverage are related financial terms often used to analyze the state of a business, particularly for investing purposes. But individuals also engage in leverage when they borrow money to acquire new assets. At its most basic, leverage is the use of debt to purchase something.

**Debt Vs. Leverage | Pocketsense**
In the Leverage analysis, the main focus is on the measurement of the relationship between the two variables rather than measuring the variables. The measurement of leverages is the technique used by the business firms to measure the Risk – Return relationship of the firm operating and financial activities.

**Difference Between Operating Leverage And Financial Leverage**
We model the relationship between operating and financial leverage. When operating leverage is exogenously specified, financial leverage is a monotonically decreasing function of operating...

**The relationship between operating leverage and financial**
The risk of a firm is influenced by the use of leverage. Incurrence of fixed operating costs in the firm’s income stream increases the business risk or operating risk. It increases the variability of operating income due to change in sales revenue. Similarly, employment of debt in the capital structure increases the financial risk.

**Relationship between Leverage and Business Risk**
Financial leverage is the use of borrowed money (debt) to finance the purchase of assets with the expectation that the income or capital gain from the new asset will exceed the cost of borrowing

**Financial Leverage – Learn How Financial Leverage Works**
The fixed effects model is used to analyse the relationship between the explained variable (profitability) and the explanatory variables (leverage) across firms. It caters for individual characteristics of each entity; how the capital structure of a firm may or may not affect its profitability.