Analyzed Results

To calculate the debt to asset ratio, we look at the amount of debt a company has compared to its total assets. This ratio helps us understand what portion of the company's assets is financed through debt.

Debt to Asset Ratio Formula:

\[\text{Debt to Asset Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}} \]

From the provided image of the Haroun Company's year-end balance sheet for December 31, 2021:

- **Total Liabilities:** $5,442,000 (thousands)

- **Total Assets:** $4,442,000 (thousands)

Plugging these values into the formula gives:

\[\text{Debt to Asset Ratio} = \frac{5,442,000}{4,442,000} = 1.225 \]

In financial terms, a debt to asset ratio of 1.225 means that for every dollar of assets the company owns, it has $1.225 of debt, showing that the company has more liabilities than assets. This could indicate higher financial leverage, implying greater risk if the company faces trouble in meeting its debt obligations.