Analyzed Results

To calculate the debt to asset ratio for Haroun Company for the year 2021 using the image provided, we follow these steps:

1. **Identify Total Liabilities**: From the 2021 balance sheet, the total liabilities are $1,220 (current liabilities) + $1,250 (long-term liabilities) = $2,470 thousand.

2. **Identify Total Assets**: From the same 2021 balance sheet, the total assets are $4,442 thousand.

3. **Calculate the Debt to Asset Ratio**: This ratio is calculated using the formula:

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

Plugging in the numbers:

$$
\text{Debt to Asset Ratio} = \frac{2,470}{4,442} \approx 0.556
$$

Explanation: The debt to asset ratio of approximately 0.556 means that for every dollar of assets, Haroun Company has about 55.6 cents of debt. This ratio can help investors and creditors understand how much of the company's assets are financed through debt. A higher ratio suggests a higher degree of financial leverage and possibly higher risk, while a lower ratio indicates less leverage and potentially lower risk.