Analyzed Results

To calculate the debt to asset ratio based on the image provided, we will use data from the Year-End Balance Sheets for the most recent year available, 2021.

Step 1: Identify Total Liabilities

For the year 2021, the total liabilities are given as $1,729,000 (this includes Current liabilities of $1,220,000 and Long-term liabilities of $500,000).

Step 2: Identify Total Assets

For the same year, the total assets are $4,442,000.

Step 3: Calculate the Debt to Asset ratio

This ratio is calculated by dividing total liabilities by total assets:

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

Using the numbers from the balance sheet:

$$ \text{Debt to Asset Ratio} = \frac{1,729,000}{4,442,000} \approx 0.389 $$

Explanation in Simple Terms:

The debt to asset ratio measures the percentage of assets financed by debt. A ratio of 0.389 means that approximately 38.9% of the company's assets are financed through debt. This ratio can give an idea of how much the company relies on debt to fund its assets; a higher ratio could indicate higher financial risk.