



Q19. From the following calculate

1. Debt Equity Ratio
2. Total Assets to Debt Ratio
3. Proprietary Ratio.

	₹
Equity Share Capital	75,000
Preference Share Capital	25,000
General Reserve	45,000
Balance in the Statement of Profit and Loss	30,000
Debentures	75,000
Trade Payable	40,000
Outstanding Expenses	10,000

Solution:

$$\begin{aligned} \text{(a) Debt Equity Ratio} &= \frac{\text{Debt}}{\text{Equity}} \\ \text{Equity} &= \text{Equity Share Capital} + \text{Preference Share Capital} + \text{General Reserve} + \text{Accumulated Profit} \\ &= 75,000 + 25,000 + 45,000 + 30,000 \\ &= 1,75,000 \\ \text{Debt} &= \text{Debentures} = 75,000 \\ \text{Debt Equity Ratio} &= \frac{75,000}{1,75,000} = \frac{3}{7} = 0.43 : 1 \end{aligned}$$

$$\begin{aligned} \text{(b) Total Assets to Debt Ratio} &= \frac{\text{Total Assets}}{\text{Debt}} \\ \text{Total Assets} &= \text{Equity Share Capital} + \text{Preference Share Capital} + \text{General Reserve} \\ &\quad + \text{Accumulated Profits} + \text{Debentures} + \text{Trade Payables} + \text{Outstanding Expenses} \\ (\because \text{Total liabilities is equal to total assets}) \\ &= 75,000 + 25,000 + 45,000 + 30,000 + 75,000 + 40,000 + 10,000 \\ &= 3,00,000 \\ \text{Total Assets to Debt Ratio} &= \frac{3,00,000}{75,000} = 4 : 1 \end{aligned}$$

$$\begin{aligned} \text{(c) Proprietary Ratio} &= \frac{\text{Shareholders Funds}}{\text{Net Assets}} \\ \text{Proprietary Ratio} &= \frac{1,75,000}{3,00,000} = \frac{7}{12} = 0.58 : 1 \end{aligned}$$

***** END *****