

Q7. Calculate debt equity ratio from the following information:

Total Assets 15,00,000

Current Liabilities 6,00,000

Total Debts 12,00,000

Solution:

Debt Equity Ratio =
$$\frac{\text{Debt}}{\text{Equity}}$$

Debt Equity Ratio =
$$\frac{\text{Long Term Debt}}{\text{Equity}}$$

or, Debt Equity Ratio =
$$\frac{6,00,000}{3,00,000} = \frac{2}{1} = 2:1$$

********* END ********