



Q7. Calculate debt equity ratio from the following information:

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<b>Total Assets</b>	<b>15,00,000</b>
<b>Current Liabilities</b>	<b>6,00,000</b>
<b>Total Debts</b>	<b>12,00,000</b>

Solution:

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

$$\begin{aligned}\text{Equity} &= \text{Total Assets} - \text{Total Debts} \\ &= 15,00,000 - 12,00,000 \\ &= 3,00,000\end{aligned}$$

$$\begin{aligned}\text{Long Term Debts} &= \text{Total Debts} - \text{Current Liabilities} \\ &= 12,00,000 - 6,00,000 \\ &= 6,00,000\end{aligned}$$

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

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

\*\*\*\*\* END \*\*\*\*\*