# Financial Glossary

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## Debt to Equity Ratio

Leverage ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. A low debt to equity ratio indicates lower risk, because debt holders have less claims on the company's assets. A debt to equity ratio of 5 means that debt holders have a 5 times more claim on assets than equity holders.

A high debt to equity ratio usually means that a company has been aggressive in financing growth with debt and often results in volatile earnings.

It is also known as Debt/Equity Ratio, Debt-Equity Ratio, and D/E Ratio.

## Formula

YCharts Calculation: Debt to Equity = (Long Term Debt + Current Portion of Long Term Debt) / Total Shareholders' Equity

Note:
Some sources will calculate Debt to Equity as Total Debt / Shareholders' Equity, and some sources calculate Shareholders' Equity at market value as opposed to book value.

YCharts calculates Shareholder's Equity at book value, not at market value. For Debt, we use (Current Portion of Long Term Debt + Long Term Debt) instead of total debt.

**Related Terms**

Assets to Shareholder Equity

Current Ratio

Debt to Assets Ratio

Liabilities To Assets Ratio