

# Worksheet L

## Debt to Equity Ratio

$$\text{DER} = \text{LTL} \div \text{OE}$$

Where: DER = Debt/Equity Ratio

LTL = Long-Term Liabilities (long-term debt such as bonds, debentures, and bank debt, and all other noncurrent liabilities such as deferred income taxes)

OE = Owner Equity (the difference between total assets and total liabilities, including contributed or paid in capital and retained earnings)

### Three Most Recently Completed Fiscal Years

	19__	19__	19__	
LTL	\$ _____	\$ _____	\$ _____	(1)
OE	\$ _____	\$ _____	\$ _____	(2)
DER [(1)/(2)]	<input type="text"/>	<input type="text"/>	<input type="text"/>	(3)

Considerations:

Is the most recent year typical of the three years?  Yes  No  
(If not, you might want to use an earlier year or years for the analysis)

How does the Debt to Equity Ratio compare with the ratio for firms in the same business?

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