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Session 2022-23
Compartment

Q-32



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- (i) **Debt Equity Ratio** means the relationship between long term debt and equity. It measures the degree of indebtedness of an enterprise and gives an idea to the long-term lender regarding the extent of security of the debt.
- (ii) **Debt to Capital employed Ratio** refers to the ratio of long term debt to the total of external and internal funds. It shows the proportion of long term debt in capital employed.
- (iii) **Proprietary Ratio** expresses relationship of proprietor's funds to net assets. Higher proportion of shareholders' funds in financing the assets is a positive feature as it provides security to the creditors.
- (iv) **Total Assets to Debt Ratio** measures the extent of the coverage of long-term debts by assets. It indicates the rate of external funds in financing the assets and the extent to which debts are covered by assets.
- (v) **Interest Coverage Ratio** expresses the relationship between profits available for payment of interest and the amount of interest payable. It reveals the number of times interest on long term debts is covered by the profits available for interest.

