Debt Management Ratios*

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Abstract

Debt Management ratios help evaluate a company's long-term solvency, measuring the extent to which the company is using long-term debt. These tutorials define the ratios and walk you through the calculations, including where on the financial statements the numbers can be found.

Debt Ratio[1] – The debt ratio indicates how much of a company's assets are provided through debt. This is the proportion of funding that is provided by creditors. This interactive tutorial walks you through the calculations, including where Total Assets and Total Liabilities are on the Balance Sheet.

Debt to Equity Ratio[2] – The debt to equity ratio indicates how much of a company's financing is provided through debt as compared to equity. This interactive tutorial walks you through the calculations, including where Total Assets and Total Liabilities are on the Balance Sheet.

EBITDA Coverage[3] – The EBITDA coverage ratio shows if earnings are able to satisfy all financial obligations including leases and principal payments. (EBITDA is short for earnings before interest, taxes, depreciation, and amortization.) This interactive tutorial walks you through the calculations, including where to find the numbers on the financial statements.

Equity Multiplier[4] – The equity multiplier ratio is the factor by which assets grew from the use of debt. This interactive tutorial walks you through the calculations, including where to find the numbers on the financial statements.

TIE Ratio[5] – The TIE Ratio shows the ability to pay interest charges out of earnings. (TIE stands for times interest earned.) This interactive tutorial walks you through the calculations, including where to find the numbers on the financial statements.

Debt Management Ratio Study Sheet[6] – Learn about Debt Ratio, Debt to Equity Ratio, EBITDA Coverage Ratio, Equity Multiplier, and TIE Ratio with this printable Smartacus Study Sheet.

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[1]http://www.college-cram.com/study/finance/ratios-of-debt-management/debt-ratio/
[2]http://www.college-cram.com/study/finance/ratios-of-debt-management/debt-to-equity-ratio/
[3]http://www.college-cram.com/study/finance/ratios-of-debt-management/ebitda-coverage/
[4]http://www.college-cram.com/study/finance/ratios-of-debt-management/equity-multiplier/
[5]http://www.college-cram.com/study/finance/ratios-of-debt-management/tie-ratio-2/
[6]http://www.college-cram.com/study/finance/ratios-of-debt-management/study-sheet-of-debt-management-ratios/