

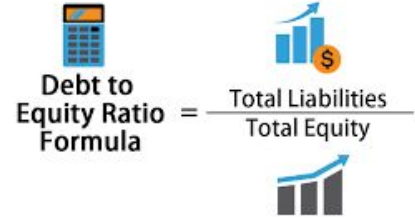
Accounting Ratio practice problems:

Debt-to-Equity Ratio:

Use the formula to the right to figure the debt-to equity ratio for the following problems. Also remember the accounting equation of

Assets = Liabilities + Owners Equity

1. Assets of \$379,500, Liabilities of \$215,000
2. Liabilities of \$35,000, Equity of \$15,000
3. Equity of \$25,000, liabilities of 8,000
4. Assets of \$35,000, liabilities of \$10,000
5. Liabilities of \$4,500, equity of \$11,450



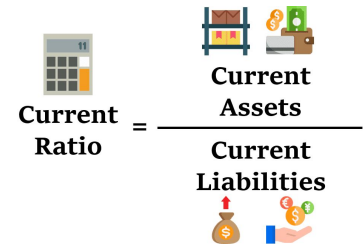
The diagram shows the formula for the Debt to Equity Ratio. On the left, a calculator icon is positioned above the text "Debt to Equity Ratio Formula". To the right of an equals sign is a fraction. The numerator is "Total Liabilities" and the denominator is "Total Equity". Above the fraction is a bar chart with a dollar sign, and below it is another bar chart with an upward-pointing arrow.

$$\text{Debt to Equity Ratio Formula} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Current Ratio:

Use the formula to the right to figure the current ratio for the following problems.

1. Assets of \$379,500, Liabilities of \$215,000
2. Liabilities of \$35,000, Assets of \$45,000
3. Asset of \$25,000, liabilities of 8,000
4. Assets of \$35,000, liabilities of \$10,000
5. Liabilities of \$4,500, Asset of \$15,950



The diagram shows the formula for the Current Ratio. On the left, a calculator icon is positioned above the text "Current Ratio". To the right of an equals sign is a fraction. The numerator is "Current Assets" and the denominator is "Current Liabilities". Above the fraction is an icon of a shelf with boxes and a dollar sign, and below it is an icon of a hand holding a dollar sign.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Return on sales Ratio:



The diagram shows the formula for the Return on Sales Ratio. On the left, a calculator icon is positioned above the text "Return on Sales". To the right of an equals sign is a fraction. The numerator is "Operating Profit" and the denominator is "Net Sales". To the right of the fraction is "x 100". Above the fraction is a bar chart with a dollar sign, and below it is a computer monitor displaying a bar chart with a dollar sign.

$$\text{Return on Sales} = \frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$$

- Subtract the expenses from the revenue to find your profit on your sales. For example, if you have \$575,000 in sales and \$485,000 in expenses, your profit equals \$90,000.
- Divide the profit by the sales to find the portion of each dollar you keep as profit. In this example, divide \$90,000 by \$575,000 to get 0.1565.
- Multiply by 100 (or move the decimal to the right 2 spaces) and you get 15.65%

Figure the Return on sales ratio for the following problems:

1. Expenses are \$250,000, Sales are \$498,000.
2. Expenses are \$462,000, Sales are \$899,000.
3. Expenses are \$450,000, Sales are \$420,000.
4. Profit is \$48,000, Sales are \$124,000
5. Profit is \$6,000, Sales are \$27,000