## Times interest earned = Income before interest and taxes divided by interest expense

The amounts used on this form are taken from Filled-in Form R0.
Calculation of times interest earned includes:
Income before interest and taxes from the income statement for
$\qquad$ December 31, 2022 .

Interest expense from the same income statement.
Income before interest \& taxes \$ 36,000 IBIT
divided by interest expense $\$ 8,000$ INT
$=$ Times interest earned $\quad \begin{aligned} & 4.5 \\ & \text { TIE } \\ & \text { (IBIT / INT) }\end{aligned}$

Notes:
Times interest earned is also referred to as interest coverage or times interest coverage.

IBIT The income before interest and taxes appears near the bottom of the income statement.

INT Interest expense is reported on the income statement just above the line income before interest and taxes.

TIE The times interest earned ratio indicates a company's ability to meet the interest payments on its debt. The larger the ratio, the more likely the company will be able to pay the interest when it is due.

