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				
the year ended <u>December 31, 2022</u> .				
Interest expense from the same income statement.				
Income before interest & taxes	\$	36,000	IBIT	
divided by interest expense	\$	8,000	INT	
= Times interest earned		4.5	TIE	(IBIT / INT)

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.