

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

Calculation of **times interest earned** includes:

Income before interest and taxes from the income statement for  
the year ended \_\_\_\_\_.

Interest expense from the same income statement.

Income before interest & taxes	\$ _____	<b>IBIT</b>	
<i>divided by</i> interest expense	\$ _____	<b>INT</b>	
<b>= Times interest earned</b>	<u>                    </u>	<b>TIE</b>	(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.