

1:- Explain

- (1) Capitalization
- (2) Dept and its objective.

→ (1) Capitalization:- Capitalization is a simple shorthand formula that enables investors to work out the current market value of a company. In finance a traditional definition of capitalisation is the dollar value of a company's outstanding shares. It is calculated by multiplying the number of shares of their current price.

The market capitalisation formula

$$MC = N \times P$$

Where :-

MC stands for market capitalisation
N stands for the number of outstanding shares

P is the closing price per share,

(2) Debt and Its Objective :-

Total assets to debt ratio expresses relationship between total assets and long-term debts. It is calculated as under :-

$$\text{Total assets to Debt - Ratio} = \frac{\text{Total Assets}}{\text{Long - Term Debts}}$$

Significance of Total Assets to Debt Ratio :-

(1) This ratio indicates the proportion of a company's total assets funded by long-term debts.

(2) The lower the ratio, the role of long term debts in financing the assets is lower.