

## QUESTION

1. A company has a current ratio of 1.5 and a debt to capitalization ratio of 0.4. The company's debt to capitalization ratio is expected to increase to 0.5. Assuming that the company's current ratio remains constant, what will be the company's new debt to capitalization ratio?

2. A company has a current ratio of 1.5 and a debt to capitalization ratio of 0.4. The company's current ratio is expected to increase to 2.0. Assuming that the company's debt to capitalization ratio remains constant, what will be the company's new current ratio?



## ANSWER

1. The company's new debt to capitalization ratio will be 0.5.

2. The company's new current ratio will be 2.0.

3. The company's new debt to capitalization ratio will be 0.4.



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