

Case Illustration:

Short-Term to Long-Term Debt

	Before Refinancing	After Refinancing
Current assets	13,000	13,000
Capital assets	10,000	10,000
Other assets	4,000	4,000
Total assets	<u>27,000</u>	<u>27,000</u>
Operating line	5,000	1,000
Other current liabilities	5,000	5,000
Current portion of long term debt	1,500	1,900
Current liabilities	<u>11,500</u>	<u>7,900</u>
Long term debt	3,500	7,100
Other liabilities	3,000	3,000
Total liabilities	<u>18,000</u>	<u>18,000</u>
Shareholders' equity	<u>9,000</u>	<u>9,000</u>
Total liabilities & shareholders' equity	<u>27,000</u>	<u>27,000</u>
EBITDA	\$5,000	\$5,000
Funded debt	\$10,000	\$10,000
Funded debt to Equity	1.11x	1.11x
Total liabilities to Equity	2.00x	2.00x
Funded debt to EBITDA	2.00x	2.00x
Working capital ratio	1.13x	1.65x
Net working capital	\$1,500	\$5,100
Debt service	\$2,000	\$2,400
EBITDA to Debt service	2.50x	2.08x