Figure 3.20. Pricing of Senior and Subordinated Debt and Equity

Balance sheet

| Asset $100 | Senior debt $93 | Subordinated debt $2 | Equity $5 |

Balance sheet identity

Value of total liability (debt+equity)

Value of senior debt $93

Value of subordinated debt $2

Value of equity $5

Source: IMF staff.

Note: The balance sheet identity implies that the total value of assets should be equal to the total value of liabilities, which is the vertical sum of the values of senior debt, subordinated debt, and equity. 