

Debt to equity ratio = Total liabilities divided by **owner's or stockholders' equity**

*The amounts used on this form are taken from **Filled-In Form R0**.*

Calculation of the **debt to equity ratio** from the balance sheet dated Dec. 31, 2022.

Total liabilities	<u>\$ 161,000</u>	TL	
<i>divided by</i> the total owner's equity	<u>\$ 194,000</u>	OE	
= Debt to equity ratio	<u><u>0.83 : 1</u></u>	DE	(TL / OE)

Notes:

- TL** The amount of total liabilities is reported on the balance sheet just above the stockholders' or owner's equity section.
- OE** In a corporation, substitute the total amount of *stockholders' equity* for the total amount of owner's equity.
- DE** The debt to equity ratio is an indicator of financial leverage. The larger the ratio, the more leverage and therefore more risk.