

**Equity ratio = Owner's or stockholders' equity** divided by **total assets**

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

Calculation of the **equity ratio** from the balance sheet dated December 31, 2022 .

Total owner's equity	\$ 194,000	OE
<i>divided by</i> total assets	\$ 355,000	TA
<b>= Equity ratio</b>	<b>0.55 : 1</b>	<b>E</b> (OE / TA)

Notes:

- OE** In a corporation, substitute the total amount of *stockholders' equity* for the total amount of owner's equity.
- TA** The amount of total assets appears at the end of the asset section of the balance sheet.
- E** The equity ratio is an indicator of financial leverage. The larger the ratio, the more equity and therefore less debt, less leverage, and less risk.