Equity turnover ratio = Net sales or revenues divided by **average owner's equity**

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

Calculation of the **equity turnover ratio** includes:

Net sales or revenues from the income statement for the year ended *Dec. 31, 2022* .

Average owner's equity computed from balance sheets during the year.

Net sales or total revenues	*$ 230,000*	**S**	
divided by average owner's equity	*$ 200,700*	**AOE**	
= Equity turnover ratio	***1.15*** **: 1**	**ET**	(S / AOE)

Notes:

S Net sales or total revenues is reported as the first item of the income statement.

AOE In a corporation, substitute the average amount of total *stockholders' equity* for the average amount of total owner's equity.

Since the *average* amount of owner's or stockholders' equity during the year is required, you will need to look at the balance sheet amounts throughout the year. If the changes are not significant, you can compute a simple average of the beginning of the year amount and the end of the year amount. If the amount of total assets has changed significantly, **Form G3** can assist you in computing a 13-month average.

If the amount of owner's equity was $194,000 at December 31, 2022 and was $207,400 at December 31, 2021 and the change occurred uniformly during the year, the simple average is $200,700 ($194,000 + $207,400 = $401,400 divided by 2).

ET The equity turnover ratio indicates the amount of annual sales generated per dollar of owner's or stockholders' equity.

For a blank form see **Form R15**.

Learn more about financial ratios at www.AccountingCoach.com.