

Return (after taxes) on total assets = Net income after tax for the year divided by the average total assets during the year

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

Calculation of the **return on total assets** includes:

Net income from the income statement for the year ended Dec. 31, 2022.

Average total assets computed from the balance sheet amounts during the year.

Net income after taxes	\$ 28,000	NIAT	
<i>divided by average</i> total assets	\$ 367,200	ATA	
= Return on total assets	7.63%	RTA	(NIAT / ATA)

Notes:

NIAT Net income after taxes appears at or near the bottom of the income statement. However, the income statement of a sole proprietorship does not report income tax expense since the income tax is the responsibility of the sole proprietor.

ATA Total assets will be reported at the end of the asset section on each balance sheet.

Since the *average* total assets during the year is needed, 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 amounts of total assets have changed significantly, **Form G3** can be used to compute a 13-month average.

If the amount of total assets was \$355,000 as of December 31, 2022 and the amount was \$379,400 as of December 31, 2021 and the changes occurred evenly throughout the year, the average total assets were \$367,200 (\$355,000 + \$379,400 = \$734,400 divided by 2).

RTA The return on total assets indicates the percentage earned on the book value of the company's assets.

Since a sole proprietorship's income statement does not report income tax expense, the return on total assets for a sole proprietorship is a *before tax* percentage.