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

Calculation of the **debt to equity ratio** from the balance sheet dated ________________.

Total liabilities	$ ____________	**TL**	
divided by the total owner's equity	$ ____________	**OE**	
= Debt to equity ratio	____________ **: 1**	**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.

See **Filled-In Form R13** for an illustration.

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