

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

Calculation of the **equity ratio** from the balance sheet dated _____.

Total owner's equity	\$ _____	OE
<i>divided by</i> total assets	\$ _____	TA
= Equity ratio	_____ : 1	E (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.