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

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

Net sales or revenues from the income statement for the year ended ________________.

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

Net sales or total revenues	$ ________________	**S**	
divided by average owner's equity	$ ________________	**AOE**	
= Equity turnover ratio	________________ **: 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.

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

See **Filled-In Form R15** for an illustration.

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