

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

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

Net income from the income statement for the year ended ____________________.

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

Net income after taxes	$ ________________	**NIAT**	
divided by average total assets	$ ________________	**ATA**	
= Return on total assets	________________ **%**	**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.

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.

See **Filled-In Form R19** for an illustration.