The **asset turnover ratio** provides insight into the operational efficiency of a company because it reflects how much money in sales a company can generate with its given assets.

The asset turnover ratio is calculated by dividing sales by total assets. Sales can be found in the revenue section on the income statement and total assets can be found on the balance sheet.

```
Sales ÷ Total assets = Asset turnover ratio
```

The **asset turnover ratio** helps investors understand how many dollars in sales a company generates per one dollar in assets.

A high asset turnover ratio indicates that a company is efficiently generating sales with its assets. On the other hand, a company with a low asset turnover ratio is less efficient. Clearly, investors value an efficient use of assets, so a higher asset turnover ratio is preferable.

According to the income statement, Yummy Stuff, Co. had sales of $38,937. According to the balance statement, its total assets are $35,438.

$38,937 ÷ $35,438 = 1.0987, so Yummy Stuff, Co. has an asset turnover ratio of 1.1. That means that for every $1.00 in assets, Yummy Stuff, Co. generated $1.10 in sales.