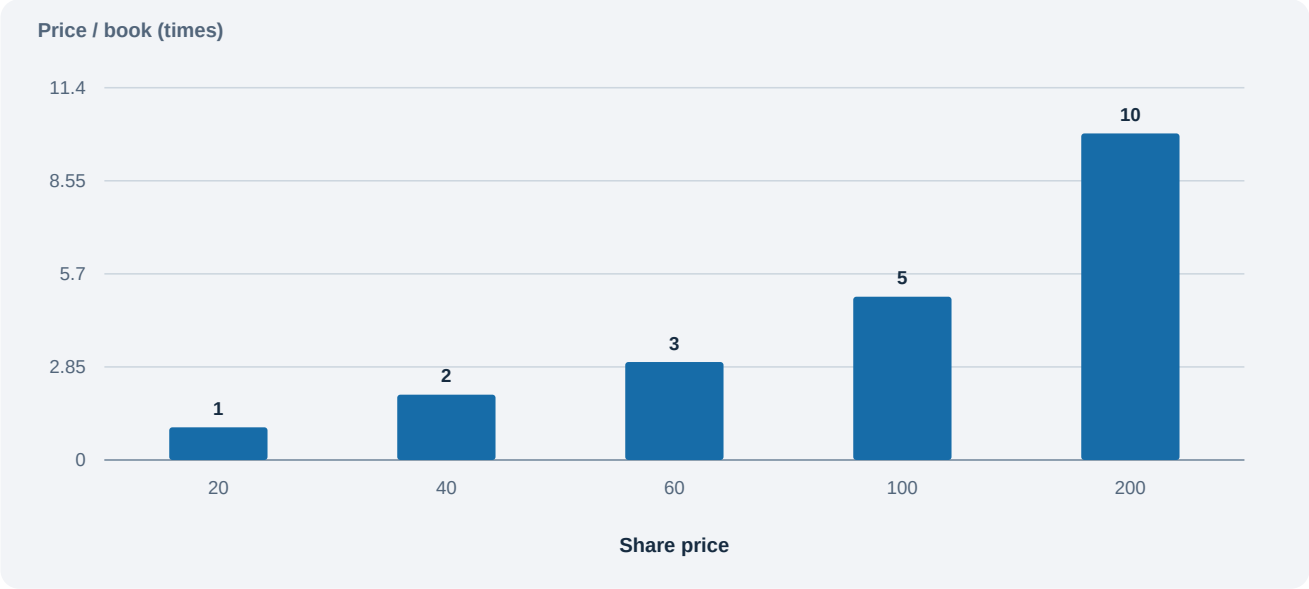
# Price-to-book ratio

Fundamental ratios | Original synthetic example | Edition 2026-11-26

Price-to-book compares a share price with common book equity per share. The balance-sheet measure can differ markedly from realizable asset value and from economic value.

**FORMULA P/B = share price / book equity per share**

**SCENARIO 01: Common book equity per share 20**




## WORKED EXAMPLE

Price 60 divided by book equity per share 20 is 3. Book equity is not guaranteed realizable value.

## COMMON MISTAKE

Treating book value as a guaranteed liquidation value ignores accounting estimates and asset quality.

## BEFORE YOU USE THE CALCULATION

1. Use common equity and consistent shares.
2. Check for nonpositive book equity.
3. Compare business models and accounting policies.

## COMPARE TWO MORE INPUT SETS

Scenario 05: Common book equity per share 40. Price 60 divided by book equity per share 40 is 1.5. Book equity is not guaranteed realizable value.

Scenario 10: Common book equity per share 65. Price 60 divided by book equity per share 65 is 0.9231. Book equity is not guaranteed realizable value.



Synthetic values are not historical market data. Educational material; trading can result in substantial losses.