Cash flow to debt ratio = Net cash flows from operating activities divided by the **average total liabilities during the year**

The amounts used on this form are the hypothetical amounts contained in the notes below.

The calculation of **cash flow to debt ratio** includes:

Net cash flows from operating activities from the statement of cash flows for the year ended *December 31, 2022* .

Average total liabilities computed from the balance sheets during the year.

Net cash flows from operating activities	*$ 53,400*	**OA**	
divided by the *average* amount of liabilities	*$ 166,500*	**AL**	
= Cash flow to debt ratio	***0.32* :1**	**CFD**	(OA / AL)

Notes:

OA Net cash flows from operating activities is also referred to as *net cash from operations.* It is the total of the items reported in the first section of the statement of cash flows. For this example, we assume that the net cash flows from operating activities during the year 2022 were $53,400.

AL The total amount of liabilities is reported at the end of the liability section on the balance sheet. Since the *average* amount of total liabilities 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 be used to compute a 13-month average.

In this example, we assume that the average amount of liabilities during the year 2022 was $166,500.

CFD The cash flow to debt ratio indicates an organization's ability to pay its liabilities from its cash flows from operations.

For a blank form see **Form R24**.

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