

Current ratio = Current assets divided by **current liabilities**

*The amounts used on this form are taken from **Filled-In Form R0**.*

Calculation of the current ratio from the balance sheet dated <u>Dec. 31, 2022</u> .			
Current assets	\$	<u>72,000</u>	CA
<i>divided by</i> current liabilities	\$	<u>61,000</u>	CL
= Current ratio		<u><u>1.18 : 1</u></u>	CR (CA / CL)

Notes:

The current ratio is also known as the *working capital ratio* .

- CA** The total amount of the current assets will appear as the first subtotal of the assets on most balance sheets. If the total of the current assets is not shown on the balance sheet, you can calculate the amount by using **Form R1**.
It is critical that only those accounts receivable and inventory items that will turn to cash within 12 months of the balance sheet date be included in the current asset amount.
- CL** The total amount of the current liabilities will appear as the first subtotal of the liabilities on most balance sheets. If the total of the current liabilities is not shown on the balance sheet, you can calculate the amount by using **Form R1**.
- CR** The current ratio is an indicator of an organization's ability to meet its current obligations. The larger the current ratio, the better.