

Working capital = Current assets minus current liabilities

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

Calculation of **working capital** from the balance sheet dated December 31, 2020.

Current assets	\$	72,000	CA	
<i>minus</i> current liabilities	\$	61,000	CL	
= Working capital	\$	11,000	WC	(CA - CL)

CA Current assets are those assets which will turn to cash within one year of the balance sheet date plus prepaid expenses. The following are usually current assets:

Cash	\$	400	
Temporary investments		3,000	
Accounts receivable (collectible)		18,000	
Inventory		45,000	
Supplies		600	
Prepaid expenses		1,000	
Other current assets		4,000	
Total current assets	\$	72,000	CA

CL Current liabilities are the obligations that will be due within 12 months of the balance sheet date and will require the use of a current asset or will create another current liability. Typically, the following are current liabilities:

Notes payable (due within one year)	\$	10,000	
Accounts payable		31,000	
Wages and fringes payable		4,000	
Taxes payable		6,000	
Accrued expenses		3,000	
Customer deposits		5,000	
Other current liabilities		2,000	
Total current liabilities	\$	61,000	CL

Notes:

Working capital or net working capital is an indicator of an organization's ability to meet its current obligations. A larger amount of working capital is better than a smaller amount.

It is critical that only those accounts receivable and inventory items that will turn to cash within one year of the balance sheet date be included as current assets.