Quick ratio = (Cash + marketable securities + current receivables)
divided by **current liabilities**

Calculation of the **quick ratio** from the balance sheet dated ____________________.

Cash	$ ____________		
+ Marketable securities	$ ____________		
+ Current accounts receivables	$ ____________		
+ Current other receivables	$ ____________		
Total of quick assets	$ ____________	**QA**	
divided by current liabilities	$ ____________	**CL**	
= Quick ratio	____________ **: 1**	**QR**	(QA / CL)

Notes:

The quick ratio is also referred to as the *acid-test ratio* .

QA The quick assets listed above should be the first assets listed in the current asset section of the balance sheet.

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**.

QR The quick ratio is an indicator of an organization's ability to quickly meet its current obligations. The larger the quick ratio, the better.

A notable difference between the current ratio and the quick ratio is that *inventory* is included in the current ratio, but it is excluded from the quick ratio.

Since the quick ratio includes *accounts receivable* , it is critical that the accounts receivable include only the amounts that will be collected within one year of the balance sheet date.

See **Filled-In Form R5** for an illustration.
Learn more about financial ratios at www.AccountingCoach.com