

Working capital = Current assets minus **current liabilities**

Calculation of **working capital** from the balance sheet dated ____________________.

Current assets	$ ________	**CA**	
minus current liabilities	$ ________	**CL**	
= Working capital	**$** ________	**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	$ ________
Temporary investments	________
Accounts receivable (collectible)	________
Inventory	________
Supplies	________
Prepaid expenses	________
Other current assets	________
Total current assets	$ ________ **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)	$ ________
Accounts payable	________
Wages and fringes payable	________
Taxes payable	________
Accrued expenses	________
Customer deposits	________
Other current liabilities	________
Total current liabilities	$ ________ **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.

See **Filled-In Form R1** for an illustration.
Learn more about financial ratios at www.AccountingCoach.com.