

## Worksheet J

### Calculation of The Current Ratio

$$\text{CR} = \text{CA} \div \text{CL}$$

Where: CR = Current Ratio

CA = Current Assets (the sum of inventories, prepaid expenses, and accounts receivable)

CL = Current Liabilities (the sum of accounts payable, accrued expenses, taxes, and the current portion of long-term debt)

#### Three Most Recently Completed Fiscal Years

	19__	19__	19__
CA	\$ _____	\$ _____	\$ _____ (1)
CL	\$ _____	\$ _____	\$ _____ (2)
CR [Calculate: (1)/(2)]	<input type="text"/>	<input type="text"/>	<input type="text"/> (3)

Considerations:

Is the most recent year typical of the three years?  Yes  No  
(If not, you might want to use an earlier year or years for the analysis)

Is the Current Ratio (3) greater than 2.0?  Yes  No

How does the Current Ratio (3) compare with the Current Ratios for other firms in this line of business?

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