

CAPACITY TO PAY CURRENT
DEBTS.

BY

Arthur H. Winakor.

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BUREAU OF BUSINESS RESEARCH
COLLEGE OF COMMERCE AND BUSINESS
ADMINISTRATION

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ARTHUR H. WINAKOR



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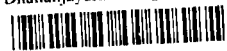
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PREFACE

In some respects the data used and views expressed in this study are related to those presented in a previous bulletin of the Bureau, *Maintenance of Working Capital of Industrial Corporations by Conversion of Fixed Assets*, published as No. 49. A reading of this prior study will prove helpful to a full understanding of the present investigation.

The purpose of this study is to consider some of the usual methods of measuring current debt-paying capacity. In addition, certain other factors, seldom if at all adequately recognized and treated, will be brought into the picture. These pertain largely to the ability of enterprises to make outlays of funds for properties in advance of their complete utilization and to their ability to delay outlays at other times while diverting such funds to debt payment or other purposes.

Attention is also given to the size of business units as having a bearing upon the problems of working capital, debt-paying power, depreciation and depletion, and the like.

Considerable emphasis has been given to the phrase "capacity to pay." This is used in the sense of embracing not only ability to pay, as ordinarily expressed, but also the possession of resources of a potential nature, as well as those already developed and employed. In a sense the study deals with paying power, both developed and latent.

Although the data have been heavily influenced by depression conditions, the facts and principles are entirely applicable to normal conditions of operation. In fact, the study is much more concerned with capacity to pay current debts in the normal course of business than under cyclical fluctuations, or the like.

Acknowledgment is made of the valuable assistance rendered by the various members of the Bureau staff. Not only was help given in the detailed assembling and preparation of the data, but suggestions were also made in regard to the manuscript and the topics discussed.

ARTHUR H. WINAKOR

June, 1936

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