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Cash equivalent

April 09, 2019

A cash equivalent is a highly liquid [investment](#) having a [maturity](#) of three months or less. It should be at minimal risk of a change in value. Examples of cash equivalents are:

- [Bankers' acceptances](#)
- [Certificates of deposit](#)
- [Commercial paper](#)
- [Marketable securities](#)
- [Money market funds](#)
- [Short-term government bonds](#)
- [Treasury bills](#)

To be classified as a cash equivalent, an item must be unrestricted, so that it is available for immediate use.

The cash and cash equivalents line item is stated first in the [balance sheet](#), since line items are stated in their [order of liquidity](#), and these assets are the most [liquid](#) of all assets. Businesses tend to invest more heavily in cash equivalents when they project a short-term need for cash, so that their investments can be readily converted into cash.

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 Steven Bragg

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