

# Current Liabilities

## Chapter 13

ACC2311 – Accounting Concepts II  
Winter 2013

# Learning Objectives

1. Describe the characteristics of liabilities
2. Explain the difference between current and long-term liabilities
3. Prepare entries to account for short-term notes payable
4. Account for estimated liabilities
5. Account for contingent liabilities
6. Prepare partial balance sheets indicating the correct treatment of current liabilities

# Liability

A **future** payment of assets or services that a company is **currently** obligated to make as a result of **past** transactions or events.

# Current vs. Long-term Liabilities

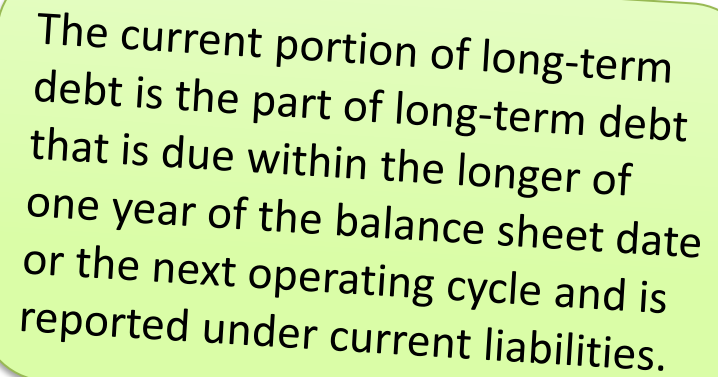
## Current Liabilities

- are due within **1 year** or within the next operating cycle (whichever is longer)
- are settled using current assets or by creating other current liabilities

### *Examples:*

- Accounts payable
- Unearned revenue
- Wages / Salaries payable
- Current portion of notes payable

The current portion of long-term debt is the part of long-term debt that is due within the longer of one year of the balance sheet date or the next operating cycle and is reported under current liabilities.



# Current vs. Long-term Liabilities

## Long-term Liabilities

- do **not** require settlement within **1 year** or within the next operating cycle (whichever is longer)

### *Examples:*

- Bonds payable
- Lease obligations
- Long-term portion of notes payable

# Textbook Exercise

**QS13-1**

**Current vs. Long-term  
Liabilities**

# Known vs. Estimated Liabilities

## Known Liabilities

- Many obligations have little uncertainty about them. The amount and terms are set by agreements, invoices, contracts, or laws.

## Estimated Liabilities

- Some obligations are known to exist...but the amount is uncertain. However - it can be reasonably estimated.
- Estimated Liabilities are also known as '**provisions**'

# Known vs. Estimated Liabilities

Examples:

Known Liabilities	Estimated Liabilities
Accounts payable	Warranty liabilities
Unearned revenue	Income taxes
Payroll liabilities	Property taxes
Short-term notes payable	
Sales taxes	

# Textbook Exercise

**E13-6**

**Known Liabilities**

# **HOMEWORK**

**Read Chapter 13**

**Get your first assignment done!  
(Lyryx Assignment 1)**