

Tutorial 8 (Week 9) : Understanding FS – Current Liabilities

- (a) Calculate and compare SBS Transit's current ratio and quick ratio for the financial years 2024 and 2023 (round your answers to 3 decimal places). How do the two ratios differ, and what do they tell you about SBS Transit's ability to meet its short-term obligations?
- (b) What are the different types of current liabilities that SBS Transit report on its Statement of Financial Position for the years 2024 and 2023? Classify them into "known," "estimated," or "contingent" liabilities based on what you learned in lecture 08.
- (c) What types of current provisions does SBS Transit report? For each of the following hypothetical scenarios, explain the appropriate accounting treatment and the impact on SBS Transit's financial statements:
- (i) Suppose that SBS Transit provides long-service benefits to employees who complete 20 years of service. Based on estimates, the company expects to pay out \$1 million in benefits in 2025.
 - (ii) Suppose that in November 2024, an SBS Transit bus was involved in an accident. Lawyers advise that it is highly probable SBS Transit will be found liable, and estimate damages of \$1.5 million.
 - (iii) Suppose that a group of former bus drivers has filed a lawsuit against SBS Transit claiming unfair dismissal. The case is ongoing, and lawyers believe there is only a remote chance that SBS Transit will lose.
 - (iv) Suppose that the government has proposed a new legislation requiring SBS Transit to install new emission-reduction equipment in all of its bus depots by 2029. The estimated cost is \$10 million per year, but as at 31 December 2024, the law has only been drafted and not yet passed.
- (d) Assume that SBS Transit issued a short-term note payable of \$5 million at 5% interest on 18 November 2024, payable in 90 days. How much interest expense should be accrued in 2024, and what adjusting journal entry should be recorded at year-end? What journal entry should be recorded upon maturity of the note (calculate and state the due date of the note as well)? Use the Actual/360 convention?

~ End of Tutorial 8 ~