

Lecture 1 Non Financial and Current Liability

Liability

A **liability** is a present obligation of the entity to transfer an economic resource as a result of past events.

1. The entity has an obligation (that is, a **present duty or responsibility** to others that it has **no practical ability to avoid**).
2. The obligation is to transfer an economic resource to another party or parties.
3. The obligation exists as a result of past transactions or events.

Financial Liabilities

A financial liability (under A S P E and I F R S) is any liability that is a **contractual obligation** to either: 合同产生金钱的债务

1. Deliver cash or other financial assets to another party, or
2. To exchange financial instruments with another party under conditions that are potentially unfavourable to the entity

Measurement: amortized cost

Non-financial liabilities—not payable in cash

- ASPE: no specific measurement standards (measurement varies based on nature of liability)
- IFRS: measured at best estimate of payment that would be required to settle the obligation at the date of the statement of financial position PV
- Example: warranty unearned revenue

Financial Current Liability

1. Expected to be settled within normal operating cycle
2. Held primarily for trading
3. Due within 12 months from the end of the reporting period
4. No unconditional right to defer settlement for at least 12 months after the date of the statement of financial position

Bank Indebtedness

Accounts Payable

Notes Payable

Current Maturities of Long-Term Debt

Dividend payable

Customer Advances and Deposits

Taxes Payable: Goods and Services Tax

Employee-Related Liabilities

Short-Term Debt Expected to be Refinanced

- Under I F R S, debt due within 12 months is classified as current, unless it is expected to be refinanced under an existing agreement for at least 12 months at the FS date
- Under A S P E, currently maturing debt can be classified as long-term if there is irrefutable evidence when the financial statements are completed that the debt has been or will be converted to long-term obligation

Non-Financial Current liability

Asset Retirement Obligation

Warranty

Assurance-type

Service Type

Contingency

Under A S P E, a contingent loss is recognized in income and as a liability if two conditions are met:

- It is probable a future event will confirm the impairment or the liability
- The loss can be reasonably estimated

IFRS

Provisions are required for situations, such as lawsuits, where it is more likely than not (Probable) that a present obligation exists.

If recognized --- Using an expected value method to measure reliability; however, if the amount cannot be measured reliably, the item would be considered a contingent liability and no liability is recognized.

Unless the likelihood is remote, disclosures are required about the nature of uncertain amounts

Assignment

