

# **Current Liabilities**

## **Study Unit 13**

Study Unit 13: Current Liabilities

### **Introduction**

**Lecture 1**

# What do we need to know about Current Liabilities?

- Recognition
- Measurement
  - Initial measurement
  - Subsequent measurement
- Disclosure

Lecture 1

## **What are current liabilities?**

- Represents a present obligation arising from past events
- Settlement is expected to require outflow of economic benefits
- Current liabilities are expected to be settled within one year of the financial statement date

Lecture 1

Study Unit 13: Current Liabilities

## Recording – Trade creditors

Lecture 2

## Recording

- Purchases Journal
- Purchases Returns Journal
- Creditors Ledger
- General Ledger

Lecture 2

# Creditors Ledger

## Reliable Suppliers

Date	Doc No	Details	Fol	Debit	Credit	Balance
		Purchases	PJ		xxx	xxx
		Purchases				
		Returns	PRJ	xxx		xxx
		Payment	CPJ	xxx		xxx
		Settlement				
		Discount				
		Granted	CRJ	xxx		xxx

Lecture 2

## Settlement Discount Received

- Encouragement from creditors to settle our debts sooner
  - The purchase is recognised, as is the creditor (in both the Creditors Ledger and General Ledger (Creditors Control))
  - The settlement discount is recognised, it is not a reversal of the purchase, or a debit note
  - It will have it's own account in the GL, but when disclosing Cost of Sales in the Statement of Profit or Loss, it is deducted from Purchases, showing the net amount

Lecture 2

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## **Creditors: Reconciling the CL and GL – Example (Study Guide)**

**Refer to your Tabaldi online  
classroom for the relevant example  
for this topic**

**Lecture 3**

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## **Other Current Liabilities**

**Lecture 4**

## Value Added Tax Payable

- $\text{VAT Output} - \text{VAT Input} = \text{VAT Payable}$
- We create a VAT Payable Control Account to determine the VAT Payable... this represents a liability which will need to be settled shortly, thus a current liability

Lecture 4

## Current portion of long-term loans

- Long-term loans are loans that will be settled over more than one financial year
- However, a portion of that will need to be settled within the next 12 months. This portion needs to be disclosed as a current liability

Lecture 4

## Accrued Expenses

- Expenses that relate to the financial year, but haven't been paid yet
  - Water & Electricity
  - Telephone etc
- These need to be settled shortly, thus will be current liabilities

Lecture 4

## Provisions

- These are obligations, for which the precise amount is not known, and will only be known at a later date
- Eg: *Provision for Warranties*
  - You produce goods, sell them with a guarantee to repair them if they break within a year. There will be costs related to those repairs, and they will relate to the SALE that was made, thus the estimated costs should be recognised in the year in which the goods were sold

Lecture 4

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## Disclosure

Lecture 5

## Statement of Financial Position

<u>Current Liabilities</u>	
Trade and other Payables	xxx
Income Received in Advance	xxx
Other Financial Liabilities	xxx
Current portion of long-term loans	xxx
Current VAT Payable	xxx

Lecture 5