

Current Liabilities

Accounting 422/522

Theoretically, the liability section of the balance sheet represents the source of financing that has been used to acquire recorded assets/resources. This source of financing is usually classified into current and non-current portions. **Current liabilities** represent amounts that are expected to be paid or services that must be rendered within the next twelve months. All other liabilities are classified as non-current.

All liabilities, current and non-current, are valued at the present value of future obligations. Current liabilities can be currently existing, accruals or estimated amounts.

Current liabilities, in total, usually comprise 20% to 30% of the right side of the balance sheet. Almost all companies report three types of current liabilities: accounts payable (100%), employee-related (90%) and current portion of long-term debt (85%). Other current liabilities reported by 20% to 25% of companies⁶ are deferred revenues, interest, taxes and warranties.

Accounts payable are amounts owed to suppliers. The amount on the balance sheet is the carrying amount in the accounts (the amount owed the vendor), any possible difference due to present value is generally considered immaterial. Employee-related liabilities are usually accruals for wages, sick pay, vacation pay, health-care and post-retirement. The current portion of long-term debt is for long-term loans and bonds.

Target, Inc., reports a highly summarized section of current liabilities on its balance sheet, but supplements this with detail reported in one of the notes to the financial statements. Target's current liabilities on February 2, 2008, are 26.4% of total assets.



(millions, except footnotes)	February 2, 2008	February 3, 2007
Liabilities and shareholders' investment		
Accounts payable	\$ 6,721	\$ 6,575
Accrued and other current liabilities	3,097	3,180
Current portion of long-term debt and notes payable	1,964	1,362
Total current liabilities	11,782	11,117

⁶*Accounting Trends and Techniques, 61st edition, 2007.*

16. Accrued and Other Current Liabilities

Accrued and Other Current Liabilities (millions)	February 2, 2008	February 3, 2007
Wages and benefits	\$ 727	\$ 674
Taxes payable (a)	400	450
Gift card liability (b)	372	338
Construction in process accrual	228	191
Deferred compensation	176	46
Workers' compensation and general liability	164	154
Interest payable	153	122
Straight-line rent accrual	152	135
Dividends payable	115	103
Income taxes payable	111	422
Other	499	545
Total	\$3,097	\$3,180

(a) Taxes payable consist of real estate, team member withholdings and sales tax liabilities.

(b) Gift card liability represents the amount of gift cards that have been issued but have not been redeemed, net of estimated breakage.