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Research Article

How to Account The Accounts for Current Liabilities Based on IFRS Standard?

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Abstract

Using liability for develop the company business. There is current liability and also known as short-term liability, the one of types liability. Current liabilities are reported on the classified balance sheet, and the non-current liabilities listed before. The common current liabilities include accounts payable or trade payable, notes payable, unearned revenue, taxes payable, salaries and wages, and current maturities of long term debt. This paper describe how to account for each of current liabilities. Descriptive method was adopted in this paper, through of previous literature liabilities and current liabilities. The conducted research shows that there is common current liabilities include accounts payable or trade payable, notes payable, unearned revenue, taxes payable, salaries and wages, and current maturities of long term debt. And to accounting the current liabilities there is formula and make the journal entry.

Keywords: Liabilities, Notes Payable, Current Linabilities

1. Introduction

A business for being productive, it is necessary to develov the company's business. And this requires large funds. The funds from the internal or external company. If internal funds, are no longer sufficient. Companies needs funds from external sources or those obtained from outside the company. One of the external funds is debt.

On the balance sheet there is something called a liability. In accounting, definition of liabilities is a business or company's financial obligations and debt, whether is bank loans, unpaid bills, and any other something company owes.

According to CPA Canada (2021) liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. According IFRS, there is two types of liabilities,current liabilities and non-current liabilities (CFI, 2019)

Short-term liabilities or can be called current liabilities is obligations due within one year from the reporting date or the operating cycle, whichever is longer (G. Arnold and S. Kyle, 2021). Current liabilities are reported on the classified balance sheet, and the non-current liabilities listed before.

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This paper will describe and discussion about the accounts of current liabilities as well as a relevant with the literature. And example of the journalize the current liabiliies accounts.

2. Literature Review

According to Modigliani and Miller (1958) in Brusov et al (2021), under perfect capital markets a firm's investment decisions are independent of financial situations. In the absence of capital rationing, external financing can be accessed without difficulties, and a firm's expected future profitability should drive investment. Paying tribute to the scientific developments in the theory and practice of accounting liabilities, some aspects require further study, systematization, and clarification. Controversy over the essence of categorical apparatus predetermines the need for interpretation of liabilities from the legal, economic and accounting point of view (Kieso, 2019). A variety of classification criteria for liabilities requires a generalization of their classification for the needs of users of information. Different approaches to recognizing liabilities require further research to assess their compliance with accounting principles (business continuity, historical (actual) cost and prudence). All this testifies to the relevance of the chosen topic of the study and the need for systematization, refinement, improvement of the theoretical and methodological provisions of accounting liabilities.

3. Method

The method used in writing this paper is descriptive method. Descriptive method is research method according of the explanation, and defined as research conducted to determine value of independent variables, both one variable or more without comparing or connecting with other variables (Agung and Yuesti, 2020).

4. Result and Discussion

4.1 Result

Below is the accounting for current liabilities:

a. Account Payable

Accounts payable are the opposite of accounts receivable. Account payable is the one of current liabilities, this account for financial obligations, such as suppliers invoices owing goods or service on credit. For example, Bobby purchased supplies on account for $500 on 9 July 2020

July, 9	Supplies Account Payable	500	 500

b. Notes Payable

A note payable is a debt to a lender with specific repayment terms, which can include principal and interest. A note payable has written promissory note, that make it available to sell to another party. The principal on a note refers to the initial borrowed amount, not including interest. Interest on a note is a monetary incentive to the lender, which justifies loan risk.

For example, Diamond Bank agrees to lend $100,000 on February 1, 2021, if Ben's Company signs a $100,000, 15%, six-month note maturing on July 7 (amounts in thousands).Ben's Company therefore will receive $100,000 cash and will make the following journal entry.

February, 1	Cash Notes Payable	100,000	 100,000

Ben's Company makes an adjusting entry at December 31 to recognize interest expense and interest payable for financial statements. Compute the interest for the six months ended December 31, 2021.
$100,000 x 15% x 6/12 = $7,500
And the adjusting entry is:

December, 31	Interest Expense Interest Payable	7,500	 7,500

c. Unearned revenue
Unearned revenue, also known as deferred revenue is a customer advance payment for goods or services that has yet to be provided by company. Some common unearned revenue situations is advance ticket sales, rent hotel, designer fees and deposits for service.
For example, Beyonce sells 3000concert tickets at $100. The entry for the sale of concert tickets is:

Cash (3000 x $100) Unearned tickets revenue	300,000	 300,000

d. Taxes Payable
Taxes payable is a tax obligations owed by the company, such as sales taxes or income taxes. The result of sales taxes is from sales of goods or service to customers. The sales tax rate is varies, the tax rate is determined by state or local area. But, usually the range from 1.76% to 10% of the gross sales price.
For example, Mery Supermarket sells drink totalling $300.Assuming a sales tax rate of 10%, Mery Supermarket make the following entry record the sale

Cash Sales Revenue Sales Taxes Payable	330	 300 30

e. Salaries and Wages
Wages is employee compensation that is based on the number of hours worked multiplied by an hourly rate of pay. Generally, the employees earning hourly wages will be paid in the week that follows the hours worked.
Salaries is employee compensation that is on a annual basis, such as $100,000 per year. Employees who working in company general office usually will be paid with salaries.
At the end of an acconting period, salaries and wages are reported as a current liability. And they reported current liabilities as the following items:

- Deduction Payroll Payroll deductions are wages withheld from an employee's paycheck for the payment of taxes, insurance premium, employee savings, union dues.
  For example, Ben's Company recorded payroll for the week of a May 3, as follows:

May, 3	Salaries and Wages Expense Income Taxes Payable Social Security Taxes Payable Insurance Premium Salaries and Wages Payable	20,000	 3,000 2,000 3,500 11,500

Ben is a employee, he required to pay social security taxes and the other taxes. And the records of payrolltaxes is:

May, 3	Payroll Tax Expense Social Security Taxes Payable	2,000	 2,000

- Bonusses is salarie earned by employee, this salarie exclude of employeee regular salarie or wages. Many company's gived bonusses to their employee's for appreciation of their hard work in company.

For example, Ben's Company will pay out bonuses of $15,000 in January 2022.Ben's Company makes an entry dated December 31, 2021, to record the bonuses as follows

Salaries and Wages Expense Salaries and Wages Payable	15,000	 15,000

In January 2022, Ben's pays the bonus

Salaries and Wages Payable Cash	15,000	 15,000

f. Current Maturities of Long Term Debt

As we know long-term debt is debt with a maturity of longer than one year. This is a debt of long term but that comes due in the current year of the reporting date.This is not to be confused with current debt, which is debt with a maturity of less than one year.
For example, Tere's design issues a three-year, interest-bearing $30,000 note on January 1, 2020. This note specifies that each January 1, starting January 1, 2021, Wendy should pay $10,000 of the note. When the company prepares financial statements on December 31, 2020, what amount should be reported as a:

Current Liability $10,000
Long-term Liability $20,000

4.2 Discussion

The result shows common current liabilities include accounts payable or trade payable, notes payable, unearned revenue, taxes payable, salaries and wages, and current maturities of long term

debt. This is current liabilities because it results from past events or business activities, with disbursment or payment due within a period of less than one year. (Franklin et al, 2019).
The accounting journal of account payable as the example supplies on debit and account payable in credit. But this account can be open in debit or credit line. Due toprocessing delays, not all invoices for accounts payable will have beenreceived by the company's year end. In these situations, the companymust record an accrued liability for those invoices not yet received butowed by the organization(CFI, 2021).
On the notes payable example, there is a interest concept. The formula to calculate interest charge an annual basis is:

Interest = Principal (amount lended) x Interest Rate x Period of Time

According to the formula, the interest charge of example is $7,500. And then, the journal entry is interest expense on debit and interest payable on credit.
As the accounting cycle, when expense and revenue are recognized priciples of accrual accounting is applied. On accrual accounting, revenue is doesn't record until company earn it. Once the goods are delivered/service is provided, the revenue can be recognized. As the example journal entry of unearned revenue, cash on debit and unearned revenue on credit, because the service still doesn't delivered to customer. But if the service is provided by the customer, the journal entry will become unearned revenue on debit and earned revenue on credit.
The accounting of taxes payable according the example of the result, there is journal entry from sells drink. The total cash include tax is $330 on debit, sales revenue $300 on credit, and taxes payable $30 on credit. The amount taxes payable is gotten from the totalling sells drink $300 plus taxes rate 10%.

For the salaries and wages they often also report as current liabilities the following items is payroll deduction and bonusses. On the example of payroll deduction, the total of salaries and wages expense is $20,000 on debit, and the others payment of payroll deduction on credit. And there is also payroll taxes. Make the journal entry become the payroll tax expense on debit and payroll tax payable on credit,
The bonusses example, before the payment the journal entry is salaries and wages expense on debit, salaries and wages payable on credit. Then after the bonusses paying out the journal entry is salaries and wages payable on debit and cash on credit.
On the example of current maturities of long term debt, there is a current liability $1000, because there is a note with due payment on one year. And the long-term liabilities $20,000 because the term of liabilities is still 2 year ago.

5. Conclussion

In accounting, definition of liabilities is a business or company's financial obligations and debt, whether is bank loans, unpaid bills, and any other something company owe. And the one of types liabilities is current liabilities. Current liabilities is obligations due within one year from the reporting date or the operating cycle, whichever is longer (G. Arnold and S. Kyle, 2021). The conducted research shows that there is common current liabilities include accounts payable or trade payable, notes payable, unearned revenue, taxes payable, salaries and wages, and current maturities of long term debt**.** And to accounting the current liabilites there is formula and make the journal entry.

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