CHAPTER 13

NON-FINANCIAL AND Current liabilitieS

Learning Objectives

|  |
| --- |
| 1. Understand the importance of non-financial and current liabilities from a business perspective. |
| 1. Define liabilities, distinguish financial liabilities from other liabilities, and identify how they are measured. |
| 1. Define current liabilities and identify and account for common types of current liabilities. |
| 1. Identify and account for the major types of employee-related liabilities. |
| 1. Explain the recognition, measurement, and disclosure requirements for decommissioning and restoration obligations. |
| 1. Explain the issues and account for product guarantees, other customer program obligations, and unearned revenue. 2. Explain and account for contingencies and uncertain commitments, and identify the accounting and reporting requirements for guarantees and commitments. 3. Indicate how non-financial and current liabilities are presented and analyzed. 4. Identify differences in accounting between IFRS and ASPE, and what changes are expected in the near future. |

Summary of Questions by Learning Objectives and Bloom’s Taxonomy

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Item** | **LO** | **BT** | **Item** | **LO** | **BT** | **Item** | **LO** | **BT** | **Item** | **LO** | **BT** | | **Item** | | **LO** | | **BT** | |
| **Brief Exercises** | | | | | | | | | | | | | | | | | | |
| 1. | 1 | C | 8. | 3 | AP | 15. | 4 | AP | 22. | 5,9 | | AP | | 29. | | 6,9 | | AP | |
| 2. | 3 | AP | 9. | 3 | AP | 16. | 4 | AP | 23. | 6 | | AP | | 30. | | 7,9 | | AP | |
| 3. | 3 | AP | 10. | 3 | AP | 17. | 4 | AP | 24. | 6 | | AP | | 31. | | 7 | | AP | |
| 4. | 3 | AP | 11. | 3 | AP | 18. | 4 | AP | 25. | 6 | | AP | | 32. | | 8 | | AN | |
| 5. | 3 | AP | 12. | 3 | AP | 19. | 4 | AP | 26. | 6 | | AP | |  | |  | |  | |
| 6. | 2,3 | AP | 13. | 3,9 | C | 20. | 2,5 | AP | 27. | 6 | | AP | |  | |  | |  | |
| 7. | 3 | AP | 14. | 3,9 | C | 21. | 5,9 | AP | 28. | 6 | | AP | |  | |  | |  | |
| **Exercises** | | | | | | | | | | | | | | | | | | |
| 1. | 2,9 | C | 8. | 3,8,9 | AP | 15. | 5,9 | AP | 22. | 6,9 | | AP | | 29. | | 7,9 | | C | |
| 2. | 3 | AP | 9. | 3,8,9 | AP | 16. | 5,9 | AP | 23. | 6,9 | | AP | | 30. | | 8 | | AN | |
| 3. | 3 | AP | 10. | 4 | AP | 17. | 6 | AP | 24. | 6,9 | | AP | | 31. | | 8 | | AN | |
| 4. | 3,9 | AP | 11. | 4 | AP | 18. | 3,4,6 | AP | 25. | 6 | | AP | | 32. | | 8 | | AN | |
| 5. | 3 | AP | 12. | 4 | AP | 19. | 6,9 | AP | 26. | 6,9 | | AP | |  | |  | |  | |
| 6. | 3,9 | AP | 13. | 4 | AP | 20. | 6,9 | AP | 27. | 6 | | AP | |  | |  | |  | |
| 7. | 3,4,6,7,9 | C | 14. | 4,9 | AN | 21. | 6,9 | AP | 28. | 6 | | AP | |  | |  | |  | |
| **Problems** | | | | | | | | | | | | | | | | | | |
| 1. | 2,3,5,9 | AP | 5. | 4 | AP | 9. | 6,7,9 | AP | 13. | 6,9 | | AP | | 17. | | 7,8,9 | | AP | |
| 2. | 2,3 | AP | 6. | 4 | AP | 10. | 6,7,10 | AP | 14. | 6,8,9 | | AP | |  | |  | |  | |
| 3. | 2,3,4,6,9 | AP | 7. | 4,9 | AN | 11. | 6,8 | AP | 15. | 6,9 | | AP | |  | |  | |  | |
| 4. | 2,3,5,6 | AP | 8. | 5,7 | AP | 12. | 6,7,9 | AP | 16. | 7,8 | | AP | |  | |  | |  | |
| **Cases** | | | | | | | | | | | | | | | | | | |
| 1. | 6,9 | AN | 2. |  |  | 3. |  |  |  |  | |  | |  | |  | |  | |
| **Integrated Cases** | | | | | | | | | | | | | | | | | | |
| 1. | 7 | AN | 2. | 7 | AP | 3. | 7 | AP |  |  | |  | |  | |  | |  | |
| **Research and Analysis** | | | | | | | | | | | | | | | | | | |
| 1. | 5,6,7 | AP | 3. | 6,7,8 | AP | 5. | 6,7 | AP | 6. | 4,8 | | AP | | 7. | | 2,6,7 | | AN | |
| 2. | 3,7,8 | AP | 4. | 3,5,6,8 | AP |  |  |  |  |  | |  | |  | |  | |  | |

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| --- | --- | --- | --- |
| Legend**:** The following abbreviations will appear throughout the solutions manual file. | | | |
|  |  |  |  |
| LO | Learning objective | |  |
| BT | Bloom's Taxonomy | |  |
|  | K | Knowledge |  |
|  | C | Comprehension | |
|  | AP | Application |  |
|  | AN | Analysis |  |
|  | S | Synthesis |  |
|  | E | Evaluation |  |
| Difficulty: | Level of difficulty | |  |
|  | S | Simple |  |
|  | M | Moderate |  |
|  | C | Complex |  |
| Time: | Estimated time to complete in minutes | | |
| AACSB | Association to Advance Collegiate Schools of Business | | |
|  | Communication | | Communication |
|  | Ethics | | Ethics |
|  | Analytic | | Analytic |
|  | Tech. | | Technology |
|  | Diversity | | Diversity |
|  | Reflec. Thinking | | Reflective Thinking |
| CPA CM | CPA Canada Competency Map | | |
|  | Ethics | | Professional and Ethical Behaviour |
|  | PS and DM | | Problem-Solving and Decision-Making |
|  | Comm. | | Communication |
|  | Self-Mgt. | | Self-Management |
|  | Team & Lead | | Teamwork and Leadership |
|  | Reporting | | Financial Reporting |
|  | Stat. & Gov. | | Strategy and Governance |
|  | Mgt. Accounting | | Management Accounting |
|  | Audit | | Audit and Assurance |
|  | Finance | | Finance |
|  | Tax |  | Taxation |

#### ASSIGNMENT CLASSIFICATION TABLE

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Topics | | **Brief Exercises** | **Exercises** | **Problems** |
| 1&2. | Concept of liabilities; definition, measurement, and classification. | 1, 6, 20 | 1 | 1, 2, 3, 4, 7 |
| 3. | Current liabilities including accounts and notes payable, dividends payable, sales and income tax payable, refund liabilities, and short-term obligations expected to be refinanced. | 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 | 2, 3, 4, 5, 6, 7, 8, 9,18 | 1, 2, 3, 4 |
| 4. | Employee-related liabilities. | 15, 16, 17, 18, 19 | 7, 9, 10, 11, 12, 13, 14, 18 | 3, 5, 6, 7 |
| 5. | Asset retirement obligations. | 20, 21, 22 | 15, 16 | 1, 4, 8 |
| 6. | Unearned revenue. | 23, 24 | 7, 17, 18 | 8, 9, 16 |
| 6. | Product guarantees, warranties, and other customer programs | 25, 26, 27, 28, 29 | 7, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28 | 3, 4, 10, 11, 12, 13, 14, 15 |
| 7. | Contingencies, guarantees, and uncertain commitments. | 30, 31 | 7, 29 | 8, 9, 12, 16, 17 |
| 8. | Presentation and analysis. | 32 | 8, 9, 30, 31, 32 | 3, 8, 9, 11, 16, 17 |
| 9. | IFRS and ASPE compared | 13,14, 21, 22, 29, 30, 31 | 1, 4, 6, 7, 8, 9, 14, 15, 16, 19, 20, 21, 22, 24, 29 | 1, 3, 7, 9, 12, 13, 14, 15, 17 |

## ASSIGNMENT CHARACTERISTICS TABLE

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Item |  | Description | Level of Difficulty | Time  (minutes) |
| E13.1 |  | Balance sheet classification of various liabilities | Simple | 10-15 |
| E13.2 |  | Accounts and notes payable | Simple | 10-15 |
| E13.3 |  | Notes payable and reversing entry | Moderate | 15-20 |
| E13.4 |  | Liability for returnable containers | Moderate | 15-20 |
| E13.5 |  | Entries for sales taxes | Moderate | 25-35 |
| E13.6 |  | Income tax | Moderate | 15-20 |
| E13.7 |  | Financial statement impact of liability transactions | Moderate | 30-35 |
| E13.8 |  | Refinancing of short-term debt | Moderate | 20-25 |
| E13.9 |  | Refinancing of short-term debt | Simple | 10-15 |
| E13.10 |  | Payroll tax entries | Moderate | 15-20 |
| E13.11 |  | Compensated absences–vacation and sick pay | Moderate | 40-45 |
| E13.12 |  | Compensated absences–vacation and sick pay | Moderate | 25-30 |
| E13.13 |  | Compensated absences–parental benefits | Moderate | 20-25 |
| E13.14 |  | Bonus calculation and income statement preparation | Complex | 15-20 |
| E13.15 |  | Asset retirement obligation | Moderate | 40-45 |
| E13.16 |  | Asset retirement obligation | Moderate | 40-50 |
| E13.17 |  | Unearned revenue | Simple | 10-15 |
| E13.18 |  | HST and payroll | Moderate | 15-20 |
| E13.19 |  | Warranties–assurance-type and cash basis | Simple | 10-15 |
| E13.20 |  | Warranties–assurance-type | Moderate | 15-20 |
| E13.21 |  | Warranties–assurance-type and service-type | Moderate | 20-25 |
| E13.22 |  | Warranties–assurance-type and service-type | Moderate | 25-30 |
| E13.23 |  | Customer loyalty programs | Moderate | 15-20 |
| E13.24 |  | Premium entries | Moderate | 15-20 |
| E13.25 |  | Premiums | Moderate | 20-30 |
| E13.26 |  | Premiums | Simple | 10-15 |
| E13.27 |  | Coupons and rebates | Moderate | 15-20 |
| E13.28 |  | Customer returns | Simple | 10-15 |
| E13.29 |  | Contingencies and commitments | Moderate | 20-30 |
| E13.30 |  | Ratio calculations and discussion | Simple | 15-20 |
| E13.31 |  | Ratio calculations and analysis | Simple | 20-25 |
| E13.32 |  | Ratio calculations and effect of transactions | Moderate | 15-25 |

**ASSIGNMENT CHARACTERISTICS TABLE (CONTINUED)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Item |  | Description | Level of Difficulty | Time  (minutes) |
|  |  |  |  |  |
| P13.1 |  | Current liability entries and adjustments. | Simple | 40-50 |
| P13.2 |  | Instalment notes. | Moderate | 40-45 |
| P13.3 |  | Current liabilities: various. | Complex | 45-55 |
| P13.4 |  | Asset retirement obligation and warranties. | Moderate | 25-35 |
| P13.5 |  | Payroll tax entries. | Moderate | 25-35 |
| P13.6 |  | Payroll tax entries. | Moderate | 35-45 |
| P13.7 |  | Bonus calculation. | Moderate | 35-40 |
| P13.8 |  | Loss contingencies: entries and essay. | Moderate | 45-50 |
| P13.9 |  | Advances, self-insurance, loss contingencies, guarantees, and commitments. | Moderate | 35-40 |
| P13.10 |  | Assurance-type warranties and cash basis. | Simple | 25-30 |
| P13.11 |  | Assurance-type and service-type warranties. | Moderate | 20-30 |
| P13.12 |  | Warranty calculations. | Moderate | 30-35 |
| P13.13 |  | Premium entries. | Moderate | 30-45 |
| P13.14 |  | Premium entries and financial statement presentation. | Moderate | 30-45 |
| P13.15 |  | Warranties and premiums. | Simple | 35-40 |
| P13.16 |  | Guarantees and contingencies. | Complex | 35-45 |
| P13.17 |  | Loss contingencies: entries and essays. | Moderate | 45-50 |

**SOLUTIONS TO BRIEF EXERCISES**

**BRIEF EXERCISE 13.1**

1. **Working capital is the excess of total current assets over total current liabilities. It represents the liquid buffer that is available to meet the financial demands of the company’s operating cycle. Current liabilities place a demand on the company’s current assets. Management of the due dates of current liabilities and management of current assets to generate cash on a timely basis are important for effective management of business operations. Effective management of working capital to achieve high liquidity may also contribute to positive cash from operating activities, as seen on the statement of cash flows.**
2. **Wellson can improve its management of working capital by focusing on management of current liabilities as well as current assets. For example, if Wellson has a cash flow shortage, it can take advantage of the full credit period extended by its suppliers. As another example, Wellson may also time the due dates of short-term notes payable to coincide with expected periods of positive cash flow.**

LO 1 BT: C Difficulty: M Time: 10 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.2**

|  |  |  |  |
| --- | --- | --- | --- |
| **07/01** | **Purchases** | **60,000** |  |
|  | **Accounts Payable** |  | **60,000** |
|  | **To record purchase on account** |  |  |
|  |  |  |  |
|  | **Freight in** | **1,200** |  |
|  | **Cash** |  | **1,200** |
|  | **To record freight on purchase** |  |  |
|  |  |  |  |
| **07/03** | **Accounts Payable** | **6,000** |  |
|  | **Purchase Returns and Allowances** |  | **6,000** |
|  |  |  |  |
| **07/10** | **Accounts Payable** | **54,000** |  |
|  | **Cash ($54,000 X 98%)** |  | **52,920** |
|  | **Purchase Discounts** |  | **1,080** |

LO 3 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.3**

|  |  |  |  |
| --- | --- | --- | --- |
| **07/01** | **Inventory** | **60,000** |  |
|  | **Accounts Payable** |  | **60,000** |
|  | **To record purchase on account** |  |  |
|  | **Inventory** | **1,200** |  |
|  | **Cash** |  | **1,200** |
|  | **To record freight on purchase** |  |  |
| **07/03** | **Accounts Payable** | **6,000** |  |
|  | **Inventory** |  | **6,000** |
|  |  |  |  |
| **07/10** | **Accounts Payable** | **54,000** |  |
|  | **Cash ($54,000 X 98%)** |  | **52,920** |
|  | **Inventory** |  | **1,080** |
|  |  |  |  |

LO 3 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.4**

|  |  |  |  |
| --- | --- | --- | --- |
| **11/01/20** | **Cash** | **40,000** |  |
|  | **Notes Payable** |  | **40,000** |
|  |  |  |  |
| **12/31/20** | **Interest Expense1** | **600** |  |
|  | **Interest Payable** |  | **600** |
|  | **1($40,000 X 9% X 2/12)** |  |  |
|  |  |  |  |
| **02/01/21** | **Notes Payable** | **40,000** |  |
|  | **Interest Payable** | **600** |  |
|  | **Interest Expense2** | **300** |  |
|  | **Cash** |  | **40,900** |
|  | **2($40,000 X 9% X 1/12)** |

LO 3 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.5**

|  |  |  |  |
| --- | --- | --- | --- |
| **01/01/21** | **Interest Payable** | **600** |  |
|  | **Interest Expense** |  | **600** |
|  |  |  |  |
| **02/01/21** | **Notes Payable** | **40,000** |  |
|  | **Interest Expense1** | **900** |  |
|  | **Cash** |  | **40,900** |

**1($40,000 X 9% X 3/12)**

LO 3 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

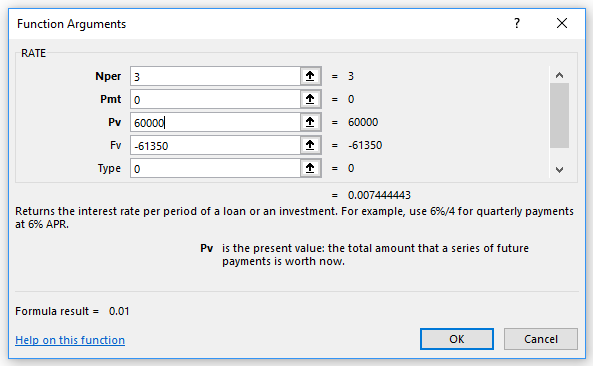
**BRIEF EXERCISE 13.6**

**(a)**

**Using a financial calculator**:

|  |  |
| --- | --- |
| **PV** | **$ 60,000** |
| **I** | **? %** | **Yields .744 % per month or 8.9% per year** |
| **N** | **3** |
| **PMT** | **0** |
| **FV** | **$ (61,350)** |
| **Type** | **0** |

**Excel formula =RATE(nper,pmt,pv,fv,type)**



**Result: .0074444**

**BRIEF EXERCISE 13.6 (Continued)**

**(b)**

|  |  |  |  |
| --- | --- | --- | --- |
| **11/01/20** | **Cash** | **60,000** |  |
|  | **Notes Payable** |  | **60,000** |
|  |  |  |  |
| **12/31/20** | **Interest Expense1** | **897** |  |
|  | **Notes Payable** |  | **897** |
|  | **1($60,000 x .00744) = $447**  **($60,447 x .00744) = $450**  **($447 + $450) = $897**  **(alternately could record $1,350 X 2/3 = $900)** | | |
|  |  |  |  |
| **02/01/20** | **Interest Expense2** | **453** |  |
|  | **Notes Payable** |  | **453** |
|  | **2($1,350 – $897)** |  |  |
|  | **To accrue interest expense** |  |  |
|  |  |  |  |
|  | **Notes Payable** | **61,350** |  |
|  | **Cash** |  | **61,350** |
|  | **To record note repayment** |  |  |

LO 2,3 BT: AP Difficulty: M Time: 15 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.7**

(a) Cash 13,000

Sales 8,000

Refund Liability 5,000

(b) Refund Liability ($5,000 x 60%) 3,000

Container Sales Revenue 3,000

LO 3 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.8**

|  |  |  |
| --- | --- | --- |
| **Accounts Receivable** | **42,375.00** |  |
| **Sales Revenue** |  | **37,500.00** |
| **HST Payable ($37,500 X 13%)** |  | **4,875.00** |
| **To record sales on account** |  |  |

|  |  |  |
| --- | --- | --- |
| **Furniture** | **2,860.00** |  |
| **HST Receivable ($2,860 X 13%)** | **371.80** |  |
| **Cash** |  | **3,231.80** |
| **To record cash purchase of furniture** |  |  |

LO 3 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.9**

|  |  |  |
| --- | --- | --- |
| **Accounts Receivable** | **37,500.00** |  |
| **Sales Revenue ($37,500 ÷ 1.13)** |  | **33,185.84** |
| **HST Payable ($37,500 ÷ 1.13 X .13)** |  | **4,314.16** |
| **To record sales on account** |  |  |
|  |  |  |
| **Furniture ($2,860 ÷ 1.13)** | **2,530.97** |  |
| **HST Receivable ($2,860 ÷ 1.13 X .13)** | **329.03** |  |
| **Cash** |  | **2,860.00** |
| **To record cash purchase of furniture** |  |  |

LO 3 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.10**

|  |  |  |
| --- | --- | --- |
| 1. **Purchases** | **29,400** |  |
| **GST Receivable ($29,400 X 5%)** | **1,470** |  |
| **Accounts Payable** |  | **30,870** |
|  |  |  |
| **(b) Accounts Receivable** | **47,250** |  |
| **Sales Revenue** |  | **45,000** |
| **GST Payable** |  | **2,250** |
|  |  |  |
| **(c) GST Payable** | **2,250** |  |
| **Cash** |  | **780** |
| **GST Receivable** |  | **1,470** |

LO 3 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.11**

|  |  |  |
| --- | --- | --- |
| 1. **Income Tax Expense** | **12,800** |  |
| **Cash ($3,200 X 4)** |  | **12,800** |
| **To record income tax payments** |  |  |

|  |  |  |
| --- | --- | --- |
| **Income Tax Expense ($20,000–$12,800)** | **7,200** |  |
| **Income Tax Payable** |  | **7,200** |
| **To accrue income tax expense** |  |  |

1. **At year end, the company would report Income Tax Payable of $7,200 in current liabilities.**

LO 3 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.12**

|  |  |  |
| --- | --- | --- |
| 1. **Income Tax Receivable** | **2,600** |  |
| **Income Tax Expense1** |  | **2,600** |
| **1($12,800 – $10,200)** |  |  |

1. **At year end, the company would report Income Tax Receivable of $2,600 in current assets.**

LO 3 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.13**

1. **Under IFRS, the $700,000 debt is reclassified as current because the long-term debt agreement is violated and the liability becomes payable on demand. It should be noted that under IFRS, the debt is reclassified as current, even if the lender agrees between the date of the SFP and the date the financial statements are released that it will not demand repayment because of the violation.**
2. **Under ASPE, the $700,000 debt is reclassified as current unless the creditor waives, in writing, the covenant (agreement) requirements, or the violation has been corrected within the grace period that is usually given in these agreements and it is likely that the company will not violate the covenant requirements within a year from the balance sheet date.**

LO 3,9 BT: C Difficulty: M Time: 10 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.14**

**(a) Under IFRS, since the debt is due within 12 months from the reporting date, it is classified as a current liability. This classification holds even if long-term refinancing has been completed before the financial statements are released. The only exception for continuing long-term classification is if, at the balance sheet date, the entity expects to refinance it or roll it over under an existing agreement for at least 12 months and the decision is solely at its discretion.**

**(b) Under IFRS, the whole $500,000 of maturing debt would still be classified as a current obligation at December 31, 2020. The international standard has a stringent requirement that the agreement must be firm at the date of the SFP in order to qualify for classification as long-term. (This assumes Burr had not entered into a long-term agreement prior to the SFP date of Dec. 31, 2020.)**

**(c) For part (a), under ASPE, the debt would be classified as a long-term liability. If there is irrefutable evidence by the time the financial statements are completed and released that the debt has been or will be converted into a long-term obligation, ASPE allows currently maturing debt to be classified as long-term on the balance sheet. In this case, the debt was refinanced before the financial statements were completed and released.**

**For part (b), under ASPE, the debt would be classified as a current liability since there was not irrefutable evidence by the time the financial statements were completed that the debt has been or will be converted into a long-term obligation. (This assumes Burr had not entered into a long-term agreement prior to the release of the financial statements of Dec. 31, 2020.) In addition, since repayment occurred before funds were obtained through long-term financing, the repayment used existing current assets.**

LO 3,9 BT: C Difficulty: M Time: 15 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.15**

|  |  |  |
| --- | --- | --- |
| **Salaries and Wages Expense** | **23,000** |  |
| **Employee Income Tax Deductions**  **Payable** |  | **3,426** |
| **CPP Contributions Payable** |  | **990** |
| **EI Premiums Payable** |  | **420** |
| **Cash** |  | **18,164** |

LO 4 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.16**

**(a)**

|  |  |  |
| --- | --- | --- |
| **Payroll Tax Expense** | **1,578** |  |
| **EI Premiums Payable ($420 X 1.4)** |  | **588** |
| **CPP Contributions Payable** |  | **990** |

**(b)**

|  |  |  |
| --- | --- | --- |
| **Employee Income Tax Deductions Payable** | **3,426** |  |
| **CPP Contributions Payable ($990 X 2)** | **1,980** |  |
| **EI Premiums Payable ($420 + $588)** | **1,008** |  |
| **Cash** |  | **6,414** |

LO 4 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.17**

|  |  |  |
| --- | --- | --- |
| **Salaries and Wages Expense1** | **30,000** |  |
| **Vacation Wages Payable** |  | **30,000** |
| **1(30 X 1 X $1,000)** |  |  |

LO 4 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

BRIEF EXERCISE 13.18

**December 1, 2020:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Employee Benefit Expense1** | **11,952** | |  |
| **Parental Leave Benefits Payable**  **To record expense for parental leave** |  | | **11,952** |
|  |  | |  |
| **1 Salary for 17 weeks ($74,000 ÷ 52 X 17)** | | **$24,192** |
| **Less: employment insurance** | |  |
| **payments ($720/week X 17 weeks)** | | **(12,240)** |
| **Employee Benefit Expense** | | **$11,952** |

**For each of the 4 weeks in December 2020, Laurin Corporation will pay Ruzbeh Awad a top-up amount and record the payments as follows:**

|  |  |  |
| --- | --- | --- |
| **Parental Leave Benefits Payable** | **703.08** |  |
| **Cash** |  | **703.08** |
| **($74,000 ÷ 52 weeks) = $1,423.08;**  **$1,423.08 – $720.00 = $703.08** | |  |

**To record parental leave payment**

LO 4 BT: AP Difficulty: M Time: 10 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.19**

|  |  |  |  |
| --- | --- | --- | --- |
| **12/31/20** | **Bonus Expense** | **350,000** |  |
|  | **Bonus Payable** |  | **350,000** |
|  |  |  |  |
| **2/15/21** | **Bonus Payable** | **350,000** |  |
|  | **Cash** |  | **350,000** |

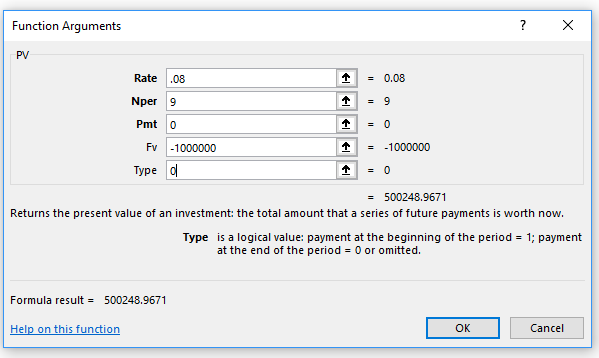
LO 4 BT: AP Difficulty: S Time: 5 min. AACSB: None CPA: cpa-t001 CM: Reporting

**BRIEF EXERCISE 13.20**

|  |  |  |
| --- | --- | --- |
| **Drilling Platform** | **500,249** |  |
| **Asset Retirement Obligation1** |  | **500,249** |
| **(a) Using Table A.2: ($1,000,000 X .50025)** |  |  |

|  |  |  |
| --- | --- | --- |
| **(b) Using a financial calculator:** | | |
| **PV** | **?** | **Yields $ 500,248.97** | |
| **I** | **8%** |  | |
| **N** | **9** |  | |
| **PMT** | **0** |  | |
| **FV** | **$ (1,000,000)** |  | |
| **Type** | **0** |  | |

**(c) Using Excel: =PV(rate,nper,pmt,fv,type)**



**Result: $500,248.97**