

# Current Liabilities

## Topics to be Discussed

Current vs. Long-Term Liabilities

Determinable Current Liabilities

notes currently payable

accounts currently payable

accrued liabilities

deferred revenues

current maturities of long-term debt

Contingent Liabilities

required disclosures

guarantees and warranties

Disclosure of Business Risks

Postretirement Benefits

## Current Liabilities

Current liabilities	debts or obligations, based on past or present transactions, to convey current assets or services within one year or the normal operating cycle, whichever is longer
Long-term liabilities	debts or obligations not requiring payment within one year or the normal operating cycle, whichever is longer
Other liabilities	debts or obligations that are not properly classified as either current or long-term liabilities

**Determinable current liabilities**

- ☞ the obligation has been incurred
- ☞ the amount of the obligation is known

## examples

notes and accounts currently payable

accrued liabilities and deferred revenues

current maturities of long-term debt (short-term obligations expected to be refinanced) (SFAS 6)

exclusion from current liabilities requires two conditions be met:

- enterprise intends to refinance the obligation on a long-term basis
- enterprise has the ability to consummate the refinancing
  1. enterprise intends to refinance the obligation on a long-term basis
  2. enterprise has the ability to consummate the refinancing
    - a. after the balance sheet date but before the financial statements are issued the company retires the debt on a long-term basis
    - b. before the financial statements are issued the company enters into a financing agreement that permits the refinancing of the debt on a long-term basis

**HERSHEY CORPORATION**  
**CONSOLIDATED BALANCE SHEET**

(In thousands of dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY		
December 31	2007	2006
Current Liabilities		
Accounts payable .....	\$ 223,019	\$ 155,517
Accrued liabilities .....	538,986	454,023
Accrued income taxes .....	373	-
Short-term debt .....	850,288	655,233
Current portion of long-term debt .....	<u>6,104</u>	<u>188,765</u>
Total current liabilities .....	1,618,770	1,453,538

**Avnet, Inc.**

## CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	June 28, 2008	June 30, 2007
Current Liabilities		
Borrowings due within one year (Note 7) .....	\$ 43,804	\$ 53,367
Accounts payable .....	2,293,243	2,228,017
Accrued expenses and other (Note 8) .....	<u>442,545</u>	<u>495,601</u>
Total current liabilities .....	2,779,592	2,776,985

NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**8. Accrued Expenses and Other**

Accrued expenses and other consist of the following:

(Dollars in thousands)	June 28, 2008	June 30, 2007
Payroll, commissions and related accruals .....	\$ 188,995	\$ 181,483
Income taxes (Note 9) .....	83,864	157,750
Other .....	<u>169,686</u>	<u>156,368</u>
	\$ 442,545	\$ 495,601

**OptiCon Systems, Inc.**  
**June 30, 2008 10-K**

## BALANCE SHEETS

	June 30 2008	2007
CURRENT LIABILITIES		
Bank overdraft .....	\$ 6,425	\$ -
Accounts Payable .....	15,319	27,404
Accrued Expenses .....	391,257	1,243,838
Note Payable .....	6,000	-
Debenture payable – related party .....	281,401	-
Loan and note payable – related parties .....	<u>77,033</u>	<u>196,197</u>
Total current liabilities .....	777,435	1,467,439

## Network Communications, Inc. and Subsidiaries

### 2008 10-K Report

#### CONSOLIDATED BALANCE SHEETS

	March 30, 2008	March 25, 2007
Current Liabilities		
Accounts payable .....	\$ 7,005,184	\$ 9,392,050
Accrued compensation, benefits and related taxes .....	2,377,632	5,195,397
Customer deposits .....	1,317,031	1,986,128
Unearned revenue .....	9,664,249	2,446,870
Accrued interest .....	6,747,765	6,613,204
Other current liabilities .....	1,215,707	1,344,467
Current maturities of long-term debt .....	5,726,789	3,084,182
Current portion of capital lease obligations .....	<u>386,404</u>	<u>423,925</u>
Total current liabilities .....	34,440,761	30,486,223

#### ***Revenue Recognition and Unearned Revenue***

##### *Revenue recognition*

The principal revenue earning activity of the Company is related to the sale of online and print advertising . . . . These revenue arrangements are typically sold as a bundled product to customers and include a print ad in a publication as well as online advertisement. The Company bills the customer a single negotiated price for both elements. . . . The Company separates its deliverables into units of accounting and allocates consideration to each unit based on relative fair values. Subscriptions are recorded as unearned revenue when received and recognized as revenue over the term of the subscription.

##### *Print*

Print revenues are derived from the sale of advertising pages in our publications. The Company sells a bundled product to our customers that includes a print advertisement as well as a standard online advertisement. The customer can also purchase premium placement advertising pages such as front cover and back cover. Revenue for print advertisement sales, including the premium placement advertising pages, is recognized when publications are delivered and available for consumer access.

##### *Online*

Online revenues are derived from the sale of advertising on our various websites. The Company sells a bundled product to our customers that includes a print ad in our publications as well as a standard online advertisement. The customer is also permitted to purchase premium internet advertisements whereby they can include additional data items such as floor plans, multiple photos and neighborhood information, and also secure premium placement in search results. Revenue for online sales, including the premium internet advertisements, is recognized ratably over the period the online advertisements are maintained on the website.

##### *Unearned revenue*

Company billings may occur one to four days prior to the shipment of the related publication and final upload of online advertising. At both interim and fiscal year end, the Company records unearned revenue to properly account for the timing differences and properly match revenue recognition to the proper period. The Company receives cash deposits from customers for certain publications prior to printing and upload of online advertising. These deposits are recorded as a liability and reflected accordingly in the consolidated financial statements.

## Contingent Liabilities

an existing condition involving uncertainty as to possible gain or loss that will be resolved when one or more future events occur or fail to occur

examples

- premiums offered to customers
- obligations related to produce warranties
- guarantees of indebtedness of others
- pending or threatened litigation
- risk of loss or damage of enterprise property by fire, explosion, or other hazards
- collectibility of receivables
- actual or possible claims and assessments
- threat of expropriation of assets
- risk of loss from catastrophes assumed by property and casualty insurance companies including reinsurance companies
- obligations of commercial banks under “standby letters of credit”
- agreements to repurchase receivables (or to repurchase the related property) that have been sold

ranges of probability (SFAS 5)

probable	future event or events are likely to occur
reasonably possible	chance of future event occurring is more than remote but less than likely
remote	chance of future event or events occurring is slight

disclosure

if event is probable and loss can be reasonably estimated, the estimated loss should be accrued

- if only a range of possible loss can be estimated, and no amount in range is better estimate than any other, minimum amount in range should be accrued
- if no reasonable estimate, no accrual but contingency must be disclosed

if reasonably possible, no accrual but contingency must be disclosed

- parenthetical comment
- footnote
- show short

if remote, disclosure normally not required

gain contingencies should be disclosed but no income recognized

**Beazer Homes USA, Inc.**  
**September 30, 2008 10-K Report**

The Audit Committee of the Beazer Homes Board of Directors has completed the Investigation of Beazer Homes' mortgage origination business, including, among other things, investigating certain evidence that the Company's subsidiary, Beazer Mortgage Corporation, violated U.S. Department of Housing and Urban Development ("HUD") regulations and may have violated certain other laws and regulations in connection with certain of its mortgage origination activities. The Investigation also found evidence that employees of the Company's Beazer Mortgage Corporation ("Beazer Mortgage") subsidiary violated certain federal and/or state regulations, including U.S. Department of Housing and Urban Development ("HUD") regulations. Areas of concern uncovered by the Investigation included our former practices in the areas of: down payment assistance program; the charging of discount points; the closure of certain HUD Licenses; closing accommodations; and the payment of a number of realtor bonuses and decorator allowances in certain Federal Housing Administration ("FHA") insured loans and non-FHA conventional loans originated by Beazer Mortgage dating back to at least 2000. The Investigation also uncovered limited improper practices in relation to the issuance of a number of non-FHA Stated Income Loans. . . . We intend to attempt to negotiate a settlement with prosecutors and regulatory authorities that would allow us to quantify our exposure associated with reimbursement of losses and payment of regulatory and/or criminal fines, if they are imposed. At this time, we believe that although it is probable that a liability exists related to this exposure, it is not reasonably estimable and would be inappropriate to record a liability as of September 30, 2008. In addition, the Investigation identified accounting and financial reporting errors and irregularities which resulted in the restatement of certain prior period consolidated financial statements. (*emphasis added*)



## Disclosure of Business Risks

### THE TORO COMPANY

#### 2007 10-K Report

##### Note 1 (In Part) - Summary of Significant Accounting Policies

###### Accrued Warranties

The company provides an accrual for estimated future warranty costs at the time of sale. The amount of the liability is based upon the historical relationship of warranty claims to sales by product line and major re-work campaigns. The changes in warranty reserves were as follows:

(Dollars in thousands)		
Fiscal years ended October 31	2007	2006
Beginning Balance .....	\$ 65,235	\$ 61,385
Warranty provisions .....	44,040	41,997
Warranty claims .....	(44,416)	(41,700)
Change in estimates .....	<u>( 2,829)</u>	<u>3,553</u>
Ending Balance .....	\$ 62,030	\$ 65,235

## Disclosure of Business Risks (continued)

### New Dragon Asia Corp.

December 25, 2007 10-K

#### Risks Related To Our Business

*Our business may experience adverse effects from competition in the noodle, flour and soybean product markets.*

*An inability to respond quickly and effectively to new trends would adversely impact our competitive position.*

*Increases in prices of main ingredients and other materials could adversely affect our business.*

*We are subject to risks associated with joint ventures and third party agreements.*

*We may be subject to product liability claims and product recalls, which could negatively impact its profitability.*

We sell food products for human consumption, which involves risks such as product contamination or spoilage, product tampering and other adulteration of food products. We may be subject to liability if the consumption of any of its products causes injury, illness or death. In addition, we will voluntarily recall products in the event of contamination or damage. A significant product liability judgment or a widespread product recall may negatively impact our profitability for a period of time depending on product availability, competitive reaction and consumer attitudes. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that company products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image.

*We have limited business insurance coverage.*

The insurance industry in China is still in an early stage of development. Insurance companies in China offer limited business insurance coverage. As a result, we do not have any business liability insurance coverage for our operations. Moreover, while business disruption insurance is available, management has determined that the risks of disruption and cost of the insurance are such that we do not require it at this time. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources.

*We may experience risks resulting from our plans for expansion.*

We have acquired several companies and businesses and plan to continue to acquire companies in the future. Entering into an acquisition entails many risks, any of which could harm our business, including: (a) diversion of management's attention from other business concerns; (b) failure to integrate the acquired company with our existing businesses; (c) additional operating expenses not offset by additional revenue; and (d) dilution of our stock as a result of issuing equity securities.

**Note:** No product warranty liability was shown in the balance sheet.

**Disclosure of Business Risks (continued)****American Technology Corporation  
September 30, 2008 10-K Report****FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK**

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable.

The Company's cash is placed in money market accounts with a major financial institution. This investment policy limits the Company's exposure to concentrations of credit risk. Deposit accounts at times may exceed federally insured limits. The Company has not experienced any losses in such accounts but is at risk for approximately \$2.6 million as of September 30, 2008. The Company has a wide variety of customers and markets that comprise the Company's customer base, as well as their dispersion across many different geographic areas. The Company routinely assesses the financial strength of its customers and, as a consequence, believes that the trade accounts receivable credit risk exposure is limited. The Company generally does not require collateral or other security to support customer receivables.

**American Greetings Corporation  
February 29, 2008 10-K Report****Note A - Significant Accounting Policies**

**Concentration of Credit Risks:** The Corporation sells primarily to customers in the retail trade, including those in the mass merchandise, drug store, supermarket and other channels of distribution. These customers are located throughout the United States, Canada, the United Kingdom, Australia, New Zealand and Mexico. Net sales from continuing operations to the Corporation's five largest customers accounted for approximately 37%, 36% and 34% of total revenue in 2008, 2007 and 2006, respectively. Net sales to Wal-Mart Stores, Inc. and its subsidiaries accounted for approximately 16% of total revenue from continuing operations in 2008, 2007 and 2006.

The Corporation conducts business based on periodic evaluations of its customers' financial condition and generally does not require collateral to secure their obligation to the Corporation. While the competitiveness of the retail industry presents an inherent uncertainty, the Corporation does not believe a significant risk of loss from a concentration of credit exists.

## Disclosure of Business Risks (continued)

### Intel Corporation

December 29, 2007 10-K Report

#### Item 1a. Risk Factors

- ◆ *Fluctuations in demand for our products may harm our financial results and are difficult to forecast.*
- ◆ *The semiconductor industry and our operations are characterized by a high percentage of costs that are fixed or difficult to reduce in the short term, and by product demand that is highly variable and subject to significant downturns that may harm our business, results of operations, and financial condition.*
- ◆ *We operate in intensely competitive industries, and our failure to respond quickly to technological developments and incorporate new features into our products could harm our ability to compete.*
- ◆ *Fluctuations in the mix of products sold may harm our financial results.*
- ◆ *Our global operations subject us to risks that may harm our results of operations and financial condition.*
- ◆ *Failure to meet our production targets, resulting in undersupply or oversupply of products, may harm our business and results of operations.*
- ◆ *We may have difficulties obtaining the resources or products we need for manufacturing, assembling and testing our products, or operating other aspects of our business, which could harm our ability to meet demand for our products and may increase our costs.*
- ◆ *Costs related to product defects and errata may harm our results of operations and business.*
- ◆ *We may be subject to claims of infringement of third-party intellectual property rights, which could harm our business.*
- ◆ *We may be subject to litigation proceedings that could harm our business.*
- ◆ *We may not be able to enforce or protect our intellectual property rights, which may harm our ability to compete and harm our business.*
- ◆ *Our licenses with other companies and our participation in industry initiatives may allow other companies, including our competitors, to use our patent rights.*
- ◆ *Changes in our decisions with regard to our announced restructuring and efficiency efforts, and other factors, could affect our results of operations and financial condition.*
- ◆ *In order to compete, we must attract, retain, and motivate key employees, and our failure to do so could harm our results of operations.*
- ◆ *Our results of operations could vary as a result of the methods, estimates, and judgments that we use in applying our accounting policies.*
- ◆ *Our failure to comply with applicable environmental laws and regulations worldwide could harm our business and results of operations.*
- ◆ *Changes in our effective tax rate may harm our results of operations.*
- ◆ *We invest in companies for strategic reasons and may not realize a return on our investments.*
- ◆ *Interest and other, net could vary from expectations, which could harm our results of operations.*
- ◆ *Our acquisitions, divestitures, and other transactions could disrupt our ongoing business and harm our results of operations.*
- ◆ *The proposed Numonyx transaction may be delayed or not consummated.*

**Disclosure of Business Risks (continued)****Intel Corporation****December 29, 2007 10-K Report****Note 7: Concentrations of credit risk**

Financial instruments that potentially subject us to concentrations of credit risk consist principally of investments in debt instruments, derivative financial instruments, and trade receivables. Intel generally places investments with high-credit-quality counterparties and, by policy, limits the amount of credit exposure to any one counterparty based on our periodic analysis of that counterparty's relative credit standing.

A substantial majority of our trade receivables are derived from sales to original equipment manufacturers and original design manufacturers of computer systems, handheld devices, and networking and communications equipment. We also have accounts receivable derived from sales to industrial and retail distributors. Our two largest customers accounted for 35% of net revenue for 2007, 2006, and 2005. Additionally, these two largest customers accounted for 35% of our accounts receivable at December 29, 2007 and December 30, 2006. We believe that the receivable balances from these largest customers do not represent a significant credit risk based on cash flow forecasts, balance sheet analysis, and past collection experience.

We have adopted credit policies and standards intended to accommodate industry growth and inherent risk. We believe that credit risks are moderated by the financial stability of our customers and diverse geographic sales areas. We assess credit risk through quantitative and qualitative analysis, and from this analysis, we establish credit limits and determine whether we will seek to use one or more credit support devices, such as obtaining some form of third-party guaranty or standby letter of credit, or obtaining credit insurance for all or a portion of the account balance if necessary.

**Direct Insite Corporation****December 31, 2007 10-KSB Report****Note 15 – Major Customers**

For the year ended December 31, 2007, IBM and Electronic Data Systems Corp. ("EDS") accounted for 51% and 46%, respectively, of the Company's revenue. In 2006, IBM and EDS accounted for 69% and 29% of revenue, respectively. Accounts receivable from these two customers at December 31, 2007 and 2006, amounted to \$1,416,000 and \$1,937,000, respectively. Loss of either of these customers would have a material adverse effect on the Company.

**Direct Insite Corporation****December 31, 2003 10-K Report****Note 17 – Major Customers**

For the years ended December 31, 2003 and 2002, IBM accounted for 97.1% and 98.4% of the Company's revenue, respectively. Accounts receivable from IBM amounted to \$1,065,000 and \$1,127,000, at December 31, 2003 and 2002, respectively. Loss of IBM as a customer would have a material adverse effect on the Company.

**Postretirement benefits****Magnetek, Inc.  
1993 Annual Report****Notes to Consolidated Financial Statements**

(All amounts in the notes to consolidated statements are expressed in thousands, except share and per share data.)

**Note 8 (In Part): Employee Benefit Plans**

The Company provides certain health care benefits for certain eligible retired employees. Approximately 27% of the currently active (but not retired) employees are eligible for benefits under these contributory plans under which the Company's subsidy varies by the employee group.

Effective July 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Post retirement Benefits Other Than Pensions" (SFAS No. 106), changing to the accrual method of accounting for certain postretirement benefits other than pensions, primarily health care benefits. SFAS No. 106 requires the expected cost of future benefits to be charged to expense during the periods in which the employees render service. Previously, the Company recognized these costs on a "pay-as-you-go," or cash basis.

The Company implemented SFAS No. 106 on the immediate recognition basis effective July 1, 1992, and as a result, recognized a one-time pretax charge of \$48,104 (\$35,734 or \$1.44 per share on a primary basis, after tax). The change in accounting will result in an increase in the annual expense recognized for these post-retirement benefits of approximately \$2,400.

**Effects of Postretirement Benefits  
(determined or estimated in 1992)  
(all numbers in millions)**

Company	Total Income	Cumulative Effect	Average Annual Impact
American Brands	806	275	35
AT&T	522	6,500	50
Amoco	1,484	1,000	125
Goodyear	97	1,650	N/A
Heinz	638	250	23
Johnson & Johnson	1,461	500	N/A