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	2008	2007
Current Liabilities		
Accounts payable	$ 249,454	$ 223,019
Accrued liabilities	504,065	538,986
Accrued income taxes	15,189	373
Short-term debt	483,120	850,288
Current portion of long-term debt	18,384	6,104
Total current liabilities	1,270,212	1,618,770

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)	442,545	495,601
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	169,686	156,368
	$ 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	77,033	196,197
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	386,404	423,925
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)*

- guarantees and warranties

The Williams Co. started operating on April 17, 20x1. The company manufactures and sells various types of farm machinery. Each machine is under warranty for one year and the company has estimated, on the basis of past experience of other companies in the industry, that the warranty cost will probably average 2% of total sales. Record journal entries for the following transactions:

(a) Sales during 20x1, $500,000, all for cash

(b) Incurrence of $6,000 of warranty costs in 20x1

(c) The necessary adjusting entry at the end of 20x1 (assume fiscal year ends on December 31 each year)

Disclosure of Business Risks

THE TORO COMPANY
2008 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 rework campaigns. The changes in warranty reserves were as follows:

(Dollars in thousands) Fiscal years ended October 31	2008	2007
Beginning Balance ………………	$ 62,030	$ 65,235
Warranty provisions ………………	42,733	44,040
Warranty claims …………………	(43,630)	(44,416)
Changes in estimates …………….	(2,447)	(2,829)
Addition from acquisition ……….	84	--
Ending Balance ……………………	$ 58,770	$ 62,030

Disclosure of Business Risks (continued)

New Dragon Asia Corp.
December 25, 2008 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)

CVD Equipment Corporation and Subsidiary
December 31, 2008 10-K Report

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable. The Company places its cash equivalents with high credit-quality financial institutions and invests its excess cash primarily in money market instruments. The Company has established guidelines relative to credit ratings and maturities that seek to maintain stability and liquidity. The Company sells products and services to various companies across several industries in the ordinary course of business. The Company routinely assesses the financial strength of its customers and maintains allowances for anticipated losses. Generally, the Company does not require collateral or other security to support trade receivables.

American Greetings Corporation
February 28, 2009 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 36%, 37% and 36% of total revenue in 2009, 2008 and 2007, respectively. Net sales to Wal-Mart Stores, Inc. and its subsidiaries accounted for approximately 15%, 16%, and 16% of total revenue from continuing operations in 2009, 2008 and 2007.

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)

McDonald's Corporation
December 31, 2008 10-K Report

Item 1a. Risk Factors and Cautionary Statement Regarding Forward-Looking Statements

- ***Our ability to remain a relevant and trusted brand and to increase sales depends largely on how well we execute the Plan to Win.***
- ***Our results and financial condition are affected by global and local market conditions, which can adversely affect our sales, margins and net income.***
- ***Our results and financial condition are affected by our ownership mix and whether we can achieve a mix that optimizes margins and returns, while meeting our business needs and customer expectations.***
- ***Increasing regulatory complexity will continue to affect our operations and results in material ways.***
- **The trading volatility and price of our common stock may be affected by many factors.**
- **Our results can be adversely affected by disruptions or events, such as the impact of severe weather conditions and natural disasters.**

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.

Disclosure of Business Risks (continued)

Direct Insite Corporation
December 31, 2008 10-K Report

Note 15 – Major Customers

For the year ended December 31, 2008, IBM and Electronic Data Systems Corp. ("EDS") accounted for 42% and 47%, respectively, of the Company's revenue. In 2007, IBM and EDS accounted for 51% and 46% of revenue, respectively. Accounts receivable from these two customers at December 31, 2008 and 2007, amounted to $1,583,000 and $1,416,000, 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 mounts 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