



## Balance Sheet Presentation

Appropriate balance sheet presentation of assets and liabilities is a common deficiency noted in financial statements prepared in accordance with Accounting Standards for Private Enterprises (ASPE). In general, there are two standards that provide guidance on this topic: Sections 1510 *Current Assets* and *Current Liabilities* and 1521 *Balance Sheet*.

### Presentation of Assets and Liabilities

When the guidance in ASPE states that information must be presented in the financial statements it is specifically referring to the item or balance being separately discernable on either the balance sheet, income statement, statement of retained earnings, or the cash flow statement. This is a key difference from the term *disclosure* which simply means that the required information must be included either in the financial statements or in the notes thereto. As assets and liabilities are presented on the balance sheet, the relevant summary of presentation requirements is included in Section 1521 *Balance Sheet* with additional guidance included in Section 1510 *Current Assets* and *Current Liabilities*.

ASPE requires the balance sheet distinguish the following:

- Current assets
- Long-term assets
- Total assets
- Current liabilities
- Long-term liabilities
- Total liabilities
- Equity
- Total liabilities and equity

Furthermore, ASPE requires that the following be separately presented on the balance sheet:

- Main classes of current assets showing separately:
  - Cash
  - Investments
  - Accounts and notes receivable
  - Inventories
  - Prepaid expenses
  - Future income tax assets
- Investments in non-consolidated subsidiaries and joint arrangements accounting for using the cost or equity method showing separately:
  - Investments measured using the cost method
  - Investments measured using the equity method
  - Investments measured at fair value

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- Investments subject to significant influence and all other investments showing separately:
  - Investments measured using the cost method
  - Investments measured using the equity method
  - Investments measured at fair value
- Intangible assets
  - Goodwill
  - Assets for current income taxes or future income taxes
  - Long-lived assets and disposal groups classified as held for sale
- Main classes of current liabilities showing separately:
  - Bank loans
  - Trade accounts payable and accrued liabilities
  - Loans payable
  - Taxes payable
  - Dividends payable
  - Deferred revenues
  - Current payments on long-term debt
  - Future income tax liabilities
  - Liabilities for future income taxes
  - Liabilities of disposal groups classified as held for sale
  - Long-term debt

*Note: The above requirements have been updated to the July 2017 edition of ASPE which includes the amendments made to Section 1521 as part of the 2017 Annual Improvements to ASPE. These improvements clarified some of the discrepancies in presentation requirements that has existed beforehand.*

### Classification of Current Assets and Current Liabilities

The guidance for what constitutes a current asset or a current liability is included in Section 1510 *Current Assets* and *Current Liabilities*. One of the primary causes for confusion on this matter is that the basis for determining whether an asset is current is different from the basis for determining whether a liability is current.

#### *Current Assets*

The balance sheet classification of assets depends on when they are ordinarily realizable or on the expected realization of the asset. Therefore, current assets include only those assets ordinarily realizable within one year from the date of the balance sheet or within the normal operating cycle when that is longer than a year.

#### *Current Liabilities*

Unlike assets, the determination of whether a liability is current is not based on when it is ordinarily realizable or when it is expected to be paid. Rather, the classification of a liability is based on the legal obligation that the entity has to the counterparty. In other words, if the liability is due to be paid within one year it should be presented as a current liability regardless of the entity's intentions or the expected outcome.

## The Clear-Cut: ASPE Balance Sheet Presentation

There are many presentation, classification and disclosure items that are specific to callable debt and debt covenant violations on long-term debt. For more information on these debt classification issues refer to our [Clear-Cut ASPE: Debt Classification](#).

### *Related Party Balances*

A second cause for confusion on these matters is the misinterpretation that the guidance in Section 1510 does not apply to related parties. This is incorrect. Section 1510 applies to all assets and liabilities regardless of whether or not the counterparty to that asset or liability is arm's length or a related party. For more information on the classification of related party balances refer to our [Clear-Cut ASPE: Classification of Related Party Balances](#).