## Reasons Why Fundamental Accounting Concept<sup>1</sup> Test Fails

### BS3

Assets = Current Assets + Noncurrent Assets (classified balance sheet)

#### What this rule tests

This rule tests the relationship between three very common line items of a financial report:

- Current assets
- Noncurrent assets

If an economic entity reports using an unclassified balance sheet, then this test is not applicable. Approximately 75% of entities report using a classified balance sheet, 24% report using an unclassified balance sheet, and 1% use liquidity based reporting.

Of all filers reporting using a classified balance sheet, approximately 97% pass this test. Of the remaining 3%, the following are the reasons this test is failed:

- Using the US GAAP XBRL Taxonomy concept *us-gaap:AssetsNoncurrent* to represent something other than Noncurrent assets (60% of failures)
- Using US GAAP XBRL Taxonomy concept us-gaap: Assets Noncurrent to express long-lived assets (approximately 10% of failures)
- Some other inappropriate use of the US GAAP XBRL Taxonomy concept usgaap: Assets Noncurrent (approximately 10% of failures)
- Undetermined reasons

#### Common reasons why test fails

Using the US GAAP XBRL Taxonomy concept us-gaap:AssetsNoncurrent to represent something other than Noncurrent assets

One of the most common reasons this test fails is because a filer does report a balance sheet line item using the concept us-gaap:AssetsNoncurrent, but that line item is not noncurrent assets. Generally, the line item being reported is other assets. For example, consider the balance sheet of this filing:

http://www.sec.gov/cgi-bin/viewer?action=view&cik=1347858&accession\_number=0001144204-14-049578&xbrl\_type=v#

<sup>&</sup>lt;sup>1</sup> For more information on the fundamental accounting concepts and the relations between these concepts please see <a href="http://fundamentalaccountingconcepts.wikispaces.com">http://fundamentalaccountingconcepts.wikispaces.com</a>

CONSOLIDATED BALANCE SHEETS (USD \$)	Jun. 30, 2014	Dec. 31, 2013
Current assets:		
Cash	\$ 4,172,795	\$ 5,830,599
Accounts receivable	16,114	0
Due from related party	44,569	42,069
Due from officers	0	7,471
Inventory, net	1,732,977	1,406,280
Machinery and equipment held for resale	0	457,696
Prepaid expenses and other assets	251,095	0
Total current assets	6,217,550	7,744,115
Machinery and equipment, net	2,952,237	2,997,760
Other assets:		
Patent and trademark costs, net	1,727,943	1,544,869
Equity investment and advance	342,894	0
Total other assets	2,070,837	1,544,869
Total assets	11,240,624	12,286,744
Current liabilities:		
Demand bank loan	174,925	174,925
Accounts payable	727,656	54,665
Accrued expenses	658,926	575,730
Deferred revenue	0	179,014
Total current liabilities	1,561,507	984,334
Warrant liability	549,308	3,779,522
Total liabilities	2,110,815	4,763,856
Commitments and contingencies (Note 11)		
Shareholders' equity		
Preferred shares value		
Common shares value	593	569
Capital in excess of par value	56,339,895	47,452,055
Accumulated deficit	(47,210,679)	(39,929,736)
Total shareholders' equity	9,129,809	7,522,888
Total liabilities and shareholders' equity	\$ 11,240,624	\$ 12,286,744

Total	other assets		2,070,837	1,544,869	
Sum expe		ized in cash, sold or c	alance sheet date of all as consumed after one year o		Х
+ Re - Det Nam Nam Data Bala	ferences tails	us-gaap_AssetsNor			

As can be seen by the example above, the reporting entity reports the line item "Total other assets" which is the total of noncurrent assets other than Machinery and equipment, net. Noncurrent assets would be the total of the two line items "Machinery and equipment, net" plus "Total other assets".

What these reporting entities seem to be thinking can best be shown by this example:

http://www.sec.gov/cgi-bin/viewer?action=view&cik=1300938&accession\_number=0001185185-14-002290&xbrl\_type=v#

\$ 92,157 81,418 38,375 211,950 35,203
81,418 38,375 211,950 35,203 21,712
81,418 38,375 211,950 35,203 21,712
38,375 211,950 35,203 21,712
211,950 35,203 21,712
35,203 21,712
21,712
21,712
5,190
26,902
274,055
116,600
60,000
176,600
176,600
17,768
1,244,520
(1,164,833)
97,455

Other Assets							
Investment in long te	erm leases –Note 7	21,252	21,712				
Security deposits - N	Note 6	7,235	5,190				
Total Other Assets		28,487	26,902				
- Definition		Sum of the carrying amounts as of the balance sheet date of all assets that are expected to be realized in cash, sold or consumed after one year or beyond the normal operating cycle, if longer.					
Sum of the carrying expected to be reali normal operating cy	ized in cash, sold or co						
Sum of the carrying expected to be reali	ized in cash, sold or co						
Sum of the carrying expected to be reali normal operating cy + References - Details Name:	ized in cash, sold or co cle, if longer. us-gaap_AssetsNon	onsumed after one y					
Sum of the carrying expected to be reali normal operating cy + References - Details Name: (Namespace Prefix:	zed in cash, sold or co cle, if longer. us-gaap_AssetsNon: us-gaap_	current					
Sum of the carrying expected to be reali normal operating cy + References - Details Name:	ized in cash, sold or co cle, if longer. us-gaap_AssetsNon	current					

Essentially, a handful of filers seem to desire to break total noncurrent assets into two groups: fixed assets or tangible assets and then all other noncurrent assets. It is perhaps the case that the total of that second category is missing from the US GAAP XBRL Taxonomy.

#### Using US GAAP XBRL Taxonomy concept us-gaap: Assets Noncurrent to express long-lived assets

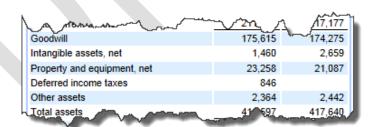
Not quite as common but the next most common misuse of the concept us-gaap:AssetsNoncurrent which is used to represent noncurrent assets is to use that concept to express long-lived assets as can be seen in the segment disclosure of this example:

# http://www.sec.gov/cgi-bin/viewer?action=view&cik=1084765&accession\_number=0001193125-14-129514&xbrl\_type=v#

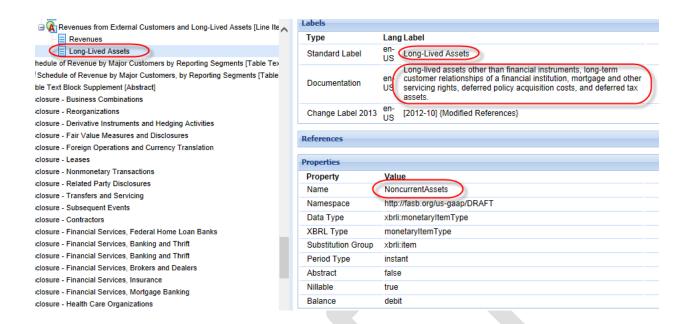
Segment Information And Enterprise Reporting (Schedule Of Revenue From External Customers And Long-Lived	3 Months Ended			9 Months Ended					
Assets, By Geographical Areas) (Details) (USD \$) In Thousands, unless otherwise specified	Feb. 22, 2014	ı	Feb. 23, 2013	Feb. 2	22, 2014	ı	Feb. 23, 2013	May 25, 201	13
Revenues from External Customers and Long-Lived Assets [Line Items]									
Revenue	\$ 132,725		\$ 138,020	\$ 4	10,398		\$ 416,150		
Long-Lived Assets	200,333	M		2	00,333	M		198,021	D
United States [Member]									ı
Revenues from External Customers and Long-Lived Assets [Line Items]									
Revenue	103,408		105,940	3	18,458		316,596		
Long-Lived Assets	173,843	M		1	73,843	M		171,939	I
The Netherlands [Member]									T
Revenues from External Customers and Long-Lived Assets [Line Items]									
Revenue	5,130		6,206		16,934		18,576		
Long-Lived Assets	22,999	m			22,999	M		22,457	I
Other [Member]									
Revenues from External Customers and Long-Lived Assets [Line Items]									
Revenue	24,187		25,874		75,006		80,978		
Long-Lived Assets	\$ 3,491	M		9	3,491	M		\$ 3,625	D
[1] Long-lived assets are comprised of goodwill, intangible assets and property and equipment.									

Long-Lived Assets	200,333 M	20	0,333	M		198,021	<b>)</b> "
		Х					-
	of the balance sheet date of all assets that a						
expected to be realized in cash, normal operating cycle, if longer	sold or consumed after one year or beyond t	the	8,458		316,596		
			3,843	M		171,939	M
+ References							Т
- Details Name: us-gaap_A Namespace Prefix: us-gaap	ssetsNoncurrent						I
	taryItemType		6,934		18,576		
Balance Type: debit Period Type: instant			2,999	M		22,457	m
renou type.							

#### Balance sheet fragment:



There is a concept in the US GAAP XBRL Taxonomy which is used to express long-lived assets. While the labels and definition are clear, one thing to be aware of is that the concept name is "usgaap:NoncurrentAssets" (as contrast to the concept "us-gaap:AssetsNoncurrent"). That rather odd naming is in no way contributing to this situation.



#### Some other inappropriate use of the US GAAP XBRL Taxonomy concept us-gaap:AssetsNoncurrent

This example shows another common error which is to simply use the concept used to express noncurrent assets to express some other concept. Considering the balance sheet of this example:

http://www.sec.gov/cgi-bin/viewer?action=view&cik=1093903&accession\_number=0001448788-12-000196&xbrl\_type=v#

ZIYANG CERAMICS CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (USD \$)	Jun. 30, 2012	Dec. 31, 2011
CURRENT ASSETS:		
Cash	\$ 5,757,153	\$ 5,871,256
Notes receivable		1,728,340
Loan receivable	3,170,125	3,148,466
Accounts receivable, net of allowance for doubtful accounts	400,117	554,744
Inventories	4,686,336	2,629,125
Prepaid expenses and other current assets	158,849	214,977
Total Current Assets	14,172,580	14,146,908
Property, plant and equipment, net	15,592,141	16,067,234
Long term prepaid expenses	7,874,030	2,796,828
Other long term assets	170,721	236,181
Total Assets	37,809,472	33,247,151
CURRENT LIABILITIES:		
Loans payable-short term	4,755,187	5,588,527
Notes payable - related party		1,007,420
Accounts payable and accrued expenses	1,797,083	2,004,573
Advance from customers	475,247	332,495
Due to related party	2,135	559,325
Taxes payable	809,126	525,851
Derivative liability	203	24,777
Other payables	951,232	1,229,326
Total Current Liabilities	8,790,213	11,272,294
Loans payable-long term	0	236,135
Total Liabilities	8,790,213	11,508,429
SHAREHOLDERS' EQUITY:		
Common stock (\$0.001 par value, 500,000,000 shares authorized; 10,001,220 shares and 1,091,812 shares outstanding at June 30, 2012 and December 31, 2011, respectively.)	10,001	1,092
Additional paid-in capital	7,311,603	7,320,512
Retained earnings	20,463,880	13,326,323
Other comprehensive income	1,233,775	1,090,795
Total Shareholders' Equity	29,019,259	21,738,722
Total Liabilities and Shareholders' Equity	\$ 37,809,472	\$ 33,247,151



This is a rather obvious filer error.