

# 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:AssetsNoncurrent* to express long-lived assets (approximately 10% of failures)
- Some other inappropriate use of the US GAAP XBRL Taxonomy concept *us-gAAP:AssetsNoncurrent* (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&xbml\\_type=v#](http://www.sec.gov/cgi-bin/viewer?action=view&cik=1347858&accession_number=0001144204-14-049578&xbml_type=v#)

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<sup>1</sup> For more information on the fundamental accounting concepts and the relations between these concepts please see <http://fundamentalaccountingconcepts.wikispaces.com>

CONSOLIDATED BALANCE SHEETS (USD \$)	Jun. 30, 2014	Dec. 31, 2013
<b>Current assets:</b>		
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
<b>Total current assets</b>	<b>6,217,550</b>	<b>7,744,115</b>
Machinery and equipment, net	2,952,237	2,997,760
<b>Other assets:</b>		
Patent and trademark costs, net	1,727,943	1,544,869
Equity investment and advance	342,894	0
<b>Total other assets</b>	<b>2,070,837</b>	<b>1,544,869</b>
<b>Total assets</b>	<b>11,240,624</b>	<b>12,286,744</b>
<b>Current liabilities:</b>		
Demand bank loan	174,925	174,925
Accounts payable	727,656	54,665
Accrued expenses	658,926	575,730
Deferred revenue	0	179,014
<b>Total current liabilities</b>	<b>1,561,507</b>	<b>984,334</b>
Warrant liability	549,308	3,779,522
<b>Total liabilities</b>	<b>2,110,815</b>	<b>4,763,856</b>
Commitments and contingencies (Note 11)		
<b>Shareholders' equity</b>		
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)
<b>Total shareholders' equity</b>	<b>9,129,809</b>	<b>7,522,888</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 11,240,624</b>	<b>\$ 12,286,744</b>

<b>Total other assets</b>	<b>2,070,837</b>	<b>1,544,869</b>
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**- 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.

**+ References**

**- Details**

**Name:** us-gaap\_AssetsNoncurrent

**Namespace Prefix:** us-gaap\_

**Data Type:** xbrli:monetaryItemType

**Balance Type:** debit

**Period Type:** instant

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#](http://www.sec.gov/cgi-bin/viewer?action=view&cik=1300938&accession_number=0001185185-14-002290&xbrl_type=v#)

CONSOLIDATED BALANCE SHEETS (UNAUDITED) (USD \$)	Jun. 30, 2014	Dec. 31, 2013
<b>Current Assets</b>		
Cash in bank	\$ 169,397	\$ 92,157
Accounts receivable –net of reserve of \$0 – Note 2	88,193	81,418
Inventory and work in process – Note 5	125,359	38,375
<b>Total Current Assets</b>	<b>382,949</b>	<b>211,950</b>
<b>Fixed Assets – Note 8</b>		
Vehicles, office furniture & equipment – net of accumulated depreciation	38,933	35,203
<b>Other Assets</b>		
Investment in long term leases –Note 7	21,252	21,712
Security deposits – Note 6	7,235	5,190
<b>Total Other Assets</b>	<b>28,487</b>	<b>26,902</b>
<b>Total Assets</b>	<b>450,369</b>	<b>274,055</b>
<b>Current liabilities</b>		
Accounts payable and accrued expenses	197,672	116,600
Note payable – Director – Note 9	60,000	60,000
<b>Total Current Liabilities</b>	<b>257,672</b>	<b>176,600</b>
<b>Total Liabilities</b>	<b>257,672</b>	<b>176,600</b>
<b>Stockholders' Equity: - Note 10</b>		
Common stock, 500,000,000 shares authorized, \$0.001 par value, 20,252,788 outstanding at June 30, 2014 and 17,768,574 outstanding at December 31, 2013	20,253	17,768
Additional paid in capital in excess of par	1,426,146	1,244,520
Accumulated deficit	(1,253,702)	(1,164,833)
<b>Total Stockholders' Equity</b>	<b>192,697</b>	<b>97,455</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 450,369</b>	<b>\$ 274,055</b>

<b>Other Assets</b>		
Investment in long term leases –Note 7	21,252	21,712
Security deposits – Note 6	7,235	5,190
<b>Total Other Assets</b>	<b>28,487</b>	<b>26,902</b>

- 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.

+ References  
- Details  
Name: **us-gaap\_AssetsNoncurrent**  
Namespace Prefix: us-gaap\_  
Data Type: xbrli:monetaryItemType  
Balance Type: debit  
Period Type: instant

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:AssetsNoncurrent 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#](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 Assets, By Geographical Areas) (Details) (USD \$) In Thousands, unless otherwise specified	3 Months Ended		9 Months Ended		
	Feb. 22, 2014	Feb. 23, 2013	Feb. 22, 2014	Feb. 23, 2013	May 25, 2013
<b>Revenues from External Customers and Long-Lived Assets [Line Items]</b>					
Revenue	\$ 132,725	\$ 138,020	\$ 410,398	\$ 416,150	
Long-Lived Assets	200,333 <sup>[1]</sup>		200,333 <sup>[1]</sup>		198,021 <sup>[1]</sup>
<b>United States [Member]</b>					
<b>Revenues from External Customers and Long-Lived Assets [Line Items]</b>					
Revenue	103,408	105,940	318,458	316,596	
Long-Lived Assets	173,843 <sup>[1]</sup>		173,843 <sup>[1]</sup>		171,939 <sup>[1]</sup>
<b>The Netherlands [Member]</b>					
<b>Revenues from External Customers and Long-Lived Assets [Line Items]</b>					
Revenue	5,130	6,206	16,934	18,576	
Long-Lived Assets	22,999 <sup>[1]</sup>		22,999 <sup>[1]</sup>		22,457 <sup>[1]</sup>
<b>Other [Member]</b>					
<b>Revenues from External Customers and Long-Lived Assets [Line Items]</b>					
Revenue	24,187	25,874	75,006	80,978	
Long-Lived Assets	\$ 3,491 <sup>[1]</sup>		\$ 3,491 <sup>[1]</sup>		\$ 3,625 <sup>[1]</sup>

[1] Long-lived assets are comprised of goodwill, intangible assets and property and equipment.

Long-Lived Assets	200,333 <sup>[1]</sup>	200,333 <sup>[1]</sup>	198,021 <sup>[1]</sup>
<b>- Definition</b>			
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.			
		8,458	316,596
		3,843 <sup>[1]</sup>	171,939 <sup>[1]</sup>
<b>+ References</b>			
<b>- Details</b>			
<b>Name:</b>	us-gaap_AssetsNoncurrent		
<b>Namespace Prefix:</b>	us-gaap		
<b>Data Type:</b>	xbri:monetaryItemType	6,934	18,576
<b>Balance Type:</b>	debit	2,999 <sup>[1]</sup>	22,457 <sup>[1]</sup>
<b>Period Type:</b>	instant		

Balance sheet fragment:

Goodwill	175,615	174,275
Intangible assets, net	1,460	2,659
Property and equipment, net	23,258	21,087
Deferred income taxes	846	
Other assets	2,364	2,442
<b>Total assets</b>	<b>411,597</b>	<b>417,640</b>

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 “us-gaap:NoncurrentAssets” (as contrast to the concept “us-gaap:AssetsNoncurrent”). That rather odd naming is in no way contributing to this situation.

Revenues from External Customers and Long-Lived Assets [Line Item]

- Revenues
- Long-Lived Assets**

chedule of Revenue by Major Customers by Reporting Segments [Table Text Block Supplement [Abstract]]

losure - Business Combinations

losure - Reorganizations

losure - Derivative Instruments and Hedging Activities

losure - Fair Value Measures and Disclosures

losure - Foreign Operations and Currency Translation

losure - Leases

losure - Nonmonetary Transactions

losure - Related Party Disclosures

losure - Transfers and Servicing

losure - Subsequent Events

losure - Contractors

losure - Financial Services, Federal Home Loan Banks

losure - Financial Services, Banking and Thrift

losure - Financial Services, Banking and Thrift

losure - Financial Services, Brokers and Dealers

losure - Financial Services, Insurance

losure - Financial Services, Mortgage Banking

losure - Health Care Organizations

Labels	
Type	Lang Label
Standard Label	en-US Long-Lived Assets
Documentation	en-US Long-lived assets other than financial instruments, long-term customer relationships of a financial institution, mortgage and other servicing rights, deferred policy acquisition costs, and deferred tax assets.
Change Label 2013	en-US [2012-10] {Modified References}

References	
Properties	
Property	Value
Name	NoncurrentAssets
Namespace	http://fasb.org/us-gaap/DRAFT
Data Type	xbri:monetaryItemType
XBRL Type	monetaryItemType
Substitution Group	xbri:item
Period Type	instant
Abstract	false
Nilable	true
Balance	debit

***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&xbri\\_type=v#](http://www.sec.gov/cgi-bin/viewer?action=view&cik=1093903&accession_number=0001448788-12-000196&xbri_type=v#)

ZIYANG CERAMICS CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (USD \$)	Jun. 30, 2012	Dec. 31, 2011
<b>CURRENT ASSETS:</b>		
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
<b>CURRENT LIABILITIES:</b>		
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
<b>SHAREHOLDERS' EQUITY:</b>		
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

Long term prepaid expenses	7,874,030	2,796,828
<p><b>- Definition</b> 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.</p> <p><b>+ References</b></p> <p><b>- Details</b></p> <p><b>Name:</b> us-gaap_AssetsNoncurrent</p> <p><b>Namespace Prefix:</b> us-gaap_</p> <p><b>Data Type:</b> xbrli:monetaryItemType</p> <p><b>Balance Type:</b> debit</p> <p><b>Period Type:</b> instant</p>		
Other payables	951,232	1,229,326

This is a rather obvious filer error.