

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

## BS4

**Liabilities** = Current Liabilities + Noncurrent Liabilities (*classified balance sheet*)

### What this rule tests

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

- Current liabilities
- Noncurrent liabilities

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 96% pass this test. Of the remaining 4%, the following are the reasons this test is failed:

- Using the US GAAP XBRL Taxonomy concept *us-gaap:LiabilitiesNoncurrent* to represent something other than Noncurrent liabilities (60% of failures)
- Expressing current liabilities using the concept *us-gaap:Liabilities* rather than the concept *us-gaap:LiabilitiesCurrent* (approximately 30% 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:LiabilitiesNoncurrent* to represent something other than Noncurrent liabilities***

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:LiabilitiesNoncurrent*, but that line item is not noncurrent liabilities. Generally, the line item being reported is other liabilities. (This is similar to the error B3.) For example, consider the balance sheet of this filing:

[http://www.sec.gov/cgi-bin/viewer?action=view&cik=1168213&accession\\_number=0001168213-14-000074&xbrl\\_type=v#](http://www.sec.gov/cgi-bin/viewer?action=view&cik=1168213&accession_number=0001168213-14-000074&xbrl_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>

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (USD \$) In Thousands, unless otherwise specified	Aug. 02, 2014	Feb. 01, 2014	Aug. 03, 2013
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 152,274	\$ 106,517	\$ 100,291
Merchandise inventory	213,016	172,311	249,618
Income taxes receivable	9,000	50,388	28,756
Prepaid expenses and other current assets	43,967	47,405	60,488
<b>Total current assets</b>	<b>418,257</b>	<b>376,621</b>	<b>439,153</b>
Fixtures, equipment and improvements, net	170,504	235,401	269,510
Goodwill	13,919	13,919	13,919
Intangible assets, net	14,285	14,661	15,037
Other assets	17,817	7,039	6,037
<b>TOTAL ASSETS</b>	<b>634,782</b>	<b>647,641</b>	<b>743,656</b>
<b>Current Liabilities:</b>			
Accounts payable	137,307	138,245	150,930
Accrued expenses and other current liabilities	109,556	102,116	94,364
<b>Total current liabilities</b>	<b>246,863</b>	<b>240,361</b>	<b>245,294</b>
Indebtedness to related party - non- current (See Note 3)	133,590	0	0
<b>Other non-current liabilities</b>	<b>101,828</b>	<b>126,588</b>	<b>130,033</b>
Commitments and contingent liabilities (See Notes 3, 5, 10, 11, 12 and 13)			
<b>Stockholders' Equity:</b>			
Preferred stock, \$0.01 par value; 5,000 shares authorized; 1; 0 and 0 shares issued or outstanding	0	0	0
Common stock, \$0.01 par value; 200,000 shares authorized; 79,080; 78,616 and 78,582 shares issued	791	786	786
Additional paid-in capital	243,992	231,202	222,443
Accumulated other comprehensive loss	(987)	(1,183)	(756)
Accumulated (deficit) earnings	(89,108)	51,493	147,422
Treasury stock 265; 118 and 112 shares, at cost	(2,187)	(1,606)	(1,566)
<b>Total stockholders' equity</b>	<b>152,501</b>	<b>280,692</b>	<b>368,329</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 634,782</b>	<b>\$ 647,641</b>	<b>\$ 743,656</b>

<b>Other non-current liabilities</b>	<b>101,828</b>	<b>126,588</b>	<b>130,033</b>
<b>- Definition</b>			
Amount of obligation due after one year or beyond the normal operating cycle, if longer.			
<b>+ References</b>			
<b>- Details</b>			
<b>Name:</b>	<b>us-gaap_LiabilitiesNoncurrent</b>		
<b>Namespace Prefix:</b>	<b>us-gaap_</b>		86
<b>Data Type:</b>	<b>xbri:monetaryItemType</b>		
<b>Balance Type:</b>	<b>credit</b>		43
<b>Period Type:</b>	<b>instant</b>		56)
			77

This is a clear filer concept selection error.

**Expressing current liabilities using the concept us-gAAP:Liabilities rather than the concept us-gAAP:LiabilitiesCurrent**

A handful of filers make the mistake of providing half of a classified balance sheet. As can be seen in the example below, current assets is reported, a heading is provided for current liabilities, but then the line item "Total Liabilities" is reported as opposed to reporting current liabilities:

[http://www.sec.gov/cgi-bin/viewer?action=view&cik=1088949&accession\\_number=0001062993-14-004664&xbrl\\_type=v#](http://www.sec.gov/cgi-bin/viewer?action=view&cik=1088949&accession_number=0001062993-14-004664&xbrl_type=v#)

Balance Sheets (USD \$)	Jun. 30, 2014	Dec. 31, 2013
<b>Current Assets</b>		
Cash	\$ 24,986	\$ 569
Prepaid legal fees	10,000	0
<b>Total Current Assets</b>	<b>34,986</b>	<b>569</b>
<b>Furniture and equipment</b>		
Furniture and equipment	3,982	3,982
Accumulated depreciation	(1,880)	(1,428)
Furniture and equipment, net	2,102	2,554
<b>Total Assets</b>	<b>37,088</b>	<b>3,123</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	9,359	5,935
Advances from related party	60,000	0
<b>Total Liabilities</b>	<b>69,359</b>	<b>5,935</b>
<b>Stockholders' Deficit</b>		
Preferred stock, \$0.01 par value per share: 500,000 shares authorized; none issued and outstanding	0	0
Common stock, \$0.001 par value: 200,000,000 shares authorized; 100,184 shares issued and outstanding	100	100
Additional paid - in capital	8,338,435	8,299,396
Accumulated deficit	(8,370,806)	(8,302,308)
<b>Total Stockholders' Deficit</b>	<b>(32,271)</b>	<b>(2,812)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$ 37,088</b>	<b>\$ 3,123</b>

This shows the concept used to express total liabilities:

<b>Total Liabilities</b>	<b>69,359</b>	<b>5,935</b>
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**- Definition**  
Sum of the carrying amounts as of the balance sheet date of all liabilities that are recognized. Liabilities are probable future sacrifices of economic benefits arising from present obligations of an entity to transfer assets or provide services to other entities in the future.

**+ References**

**- Details**  
**Name:** us-gAAP\_Liabilities  
**Namespace Prefix:** us-gAAP\_  
**Data Type:** xbrli:monetaryItemType  
**Balance Type:** credit  
**Period Type:** instant