ASPE 1510 Current Assets and Current Liabilities



CURRENT ASSETS

- Current assets include assets ordinarily realizable within one year from the balance sheet date or within the normal operating cycle, when longer than one year.
- Main classes of current assets include:
 - Cash excluding:
 - Restricted cash
 - Cash appropriated for other than current purposes unless it offsets a current liability
 - Investments capable of reasonably prompt liquidation (e.g., marketable securities, treasury bills, investment certificates and call loans)
 - Trade accounts and notes receivable
 - o Inventories
 - Prepaid expenses that meet the definition of current assets

CURRENT LIABILITIES

- Current liabilities include amounts payable within one year from the balance sheet date or within the normal operating cycle, when longer than one year; and amounts received or due from customers with respect to goods to be delivered or services to be performed within one year from the balance sheet date.
- Main classes of current liabilities include:
 - o Trade accounts payable and accrued liabilities
 - o Loans payable
 - o Taxes payable
 - o Dividends payable
 - o Deferred revenues
 - o Current payments on long-term debt
 - o Retractable or mandatorily redeemable shares issued in a tax planning arrangement
- Amounts owing on loans from directors, officers and shareholders, and amounts owing to parent and other affiliated companies will be shown separately on the balance sheet or disclosed separately in the notes to the financial statements.
- Amounts payable in respect of government remittances, excluding income taxes, must be disclosed separately. This includes federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premium.

Current and non-current debt

Non-current classification of debt is based on facts existing at the balance sheet date rather than on expectations regarding future refinancing or renegotiation.

Debt for which the creditor has the unilateral right to demand immediate repayment at the balance sheet date, or within one year (or operating cycle, if longer) from that date, shall be classified as a current liability unless:

- The creditor waives, in writing, or has subsequently lost its right to demand repayment for more than a year (or operating cycle, if longer) from the balance sheet date;
- o The obligation has been refinanced on a long-term basis before the balance sheet is completed; or
- o The debtor has entered into a non-cancellable agreement to refinance the obligation before the balance sheet is completed, and there is no impediment to the completion of refinancing.

Debt with covenant violations

When a debt covenant is breached, the debt shall be classified as a current liability unless:

- The creditor waives, in writing, or has subsequently lost its right to demand repayment for more than a year (or operating cycle, if longer) from the balance sheet date; or
- o The debt agreement includes a grace period to remedy the violation and contractual arrangements are made to remedy the covenant breach during the grace period; and

It is not likely that a violation of debt covenant which gives the creditor the right to demand repayment at a future compliance date within one year of the balance sheet date will occur.

This communication contains a general overview of the topic and is current as of August 6, 2021. The application of the principles addressed will depend upon the particular facts and circumstances of each individual case. Accordingly, this publication is not a substitute for professional advice and we recommend that any decisions you take about the application or not of any of the information presented be made in consultation with a qualified professional who can address any variance that may be required to reflect your circumstances. Please contact your local MNP representative for customized assistance with the application of this material. MNP LLP accepts no responsibility or liability for any loss related to any person's use of or reliance upon this material. © MNP LLP 2021. All rights reserved.