

Non-current Liabilities

Study Unit 14

Study Unit 14: Non-current Liabilities

Introduction

Lecture 1

What do we need to know about Non-current Liabilities?

- Recognition
- Measurement
 - Long-term loans and mortgages
 - Debentures
- Disclosure

What are non-current liabilities?

- Represents a present obligation arising from past events
- Settlement is expected to require outflow of economic benefits
- Non-current liabilities are expected to be settled more than one year after the financial statement date

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Long-term loans and mortgages

Lecture 2

Borrowings and Mortgages

- Usually made to acquire non-current assets, thus they are usually secured
 - For properties: Obtain the loan by registering a bond at the Registrar of Deeds (Mortgage bond)
- Must be split between the current and non-current portions (instalments payable in the next year)
- Interest must be accrued for if not paid at the end of the year

Example

- Study Guide Pg 279, Exercise 2, B Bomb Enterprises

Note the calculation and accrual for the interest expense

Also note the disclosure requirements, and the split between current and non-current liabilities

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Debentures

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Debentures

- Method of obtaining long-term capital for investment, (NOT resulting in equity)
 - Offered to the public with a debenture deed and a trustee who protects the interests of the debenture holders
 - Divided into units (R100 per debenture)
 - Conditions are stated in contracts
 - Secured, with interest payable
 - Capital portion is repaid on expiry date

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Example

- Study Guide Pg 277, Exercise 14.2

Note the entries for the debentures

Note that although this example doesn't have interest payable, a debenture will have an interest calculation!

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Disclosure

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Information to be disclosed

- Categories of financial instruments
- Various interest rates
- Various due dates
- Amounts of instalments
- Security for the liability

Statement of Financial Position

<u>Total Liabilities</u>		xxx
Non-current Liabilities		xxx
Long-term borrowings	3	xxx
Current Liabilities		xxx
Trade and other payables		xxx
Other financial liabilities	3	xxx

Lecture 6

Statement of Financial Position

<u>Note 3 - Financial Liabilities</u>	
Non-current Financial Liabilities	xxx
Long-term borrowings	xxx
Debentures:	xxx
20 000 R100 debentures at 12% interest per annum, payable annually on the outstanding debentures. They are redeemable at par on 21 March 2017. They are secured by a mortgage over land and buildings in favour of the trustee for the debenture holders	
Current Financial Liabilities	
Interest on debentures	xxx

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