

## CANADIAN FAQ FOR THE TAX SAVVY

Canadian FAQ Issue # 212 January 10, 2017

TITLE: ACCOUNTS PAYABLE ON A BALANCE SHEET

### Tax Question:

What are Accounts Payable on a Balance Sheet?

### Facts:

The Accounts Payable category appears under Current Liabilities on a Balance Sheet, as it is expected that these amounts owing will be paid within one year. It represents funds that a company has an obligation to pay vendors or creditors for goods and services received.

### Discussion:

Accounts Payable may consist of trade payables, which are amounts owing to vendors; or as non-trade payables, such as credit card balances.

Vendors who provide goods and services usually perform a credit check or other qualification process before they extend credit to ensure that your company will be able to pay them on time. Many companies have specific invoice terms such as net 30 days and may even provide a discount if an invoice is paid earlier. In fact, we currently provide a 2% discount to our corporate clients if an invoice is paid within 10 business days.

Credit card statements may have different period end dates as they don't always end on the last day of the month. It is important to reconcile these monthly to ensure that all the transactions are recorded. Credit card statements are usually only classified as Accounts Payable if they are held under the corporate or business name. If they are held personally, it makes more sense to classify them with the shareholder loan accounts. (see future FAQ # on Shareholder Loans).

Employees often get reimbursed for business expenses paid such as office supplies or mileage. It is important to have a strict set of procedures for this process to ensure accuracy and efficiency of the reimbursements. The employee expenses owing at period end or year end are included as Accounts Payable. Some companies prefer to use petty cash to reimburse employees for small purchases under a specified dollar amount.

An Accounts Payable aging report is commonly reviewed, which summarizes unpaid vendor invoices by date ranges. This report is an important tool used by the finance department to determine which invoices are past due and to help manage cash flow.

### Recommendation:

If you have any questions about Accounts Payable or other Balance Sheet items, please contact Gilmour Group Chartered Professional Accountants.

### DISCLAIMER

The information contained in this newsletter is intended solely to provide general guidance on matters of interest for the personal use of the reader, who accepts full responsibility for its use. While we have made every attempt to ensure the information contained in this newsletter has been obtained from reliable sources and accurately described herein, **Gilmour Group Chartered Professional Accountants Inc.** is not responsible for any errors or omissions, or for the results obtained from the use of this information. Before taking any action that might affect your personal and business finances, you should consult a qualified professional advisor.

