**THE BALANCE SHEET: Liability Accounts**

**7 Types of Liabilities**

In addition to looking at an entity’s assets, analyzing a balance sheet also means seeing if the liabilities make sense, given the nature of the business.

The more popular liability accounts include:

*Accounts Payable:* Money owed to suppliers for goods and services related to inventory. Accounts payable represent informal credit arrangements whereby the business typically pays the liability within a month or two.

*Accrued Liabilities:* Money owed to suppliers for goods and services not related to inventory. Utility invoices, invoices for repair services, administrative salaries, rent and taxes are examples of accrued liabilities.

*Notes Payable:* A written promise that a company will remit a specific amount of money to a customer or lender at a future date.

*Unearned Revenue:* Customer payments received by a business before the business has delivered the goods and services. Sometimes this liability is labeled as Advances from Customers.

*Bonds Payable:* These long-term loans may be negotiated directly with a bank or a group of bondholders. Many bonds are publicly traded on exchanges, such as the NYSE Bond Market.

*Deferred Income Taxes:* Income taxes that will be assessed and paid in future accounting periods. For example, the Internal Revenue Service offers an extra deduction in the year when a business first purchases a new depreciable asset. It is understood that the extra deduction will be reversed (i.e. assessed and paid) in a future accounting period. Less tax is paid currently with the understanding that more tax will be paid in the future, creating a deferred income tax liability.

*Income Tax Payable:* Income taxes assessed and paid within one year.