

Table of contents

	Page
Preface	V
List of abbreviations	XIII
1 Basics of accounting	1
1.1 Accounting and functions of annual financial statements	1
1.2 Statutory accounting requirements	7
1.2.1 Overview	7
1.2.2 Obligation to keep accounts according to commercial law	8
1.2.3 Obligation to keep accounts according to tax law	10
1.3 Propriety of accounting	11
1.3.1 Accounting principles	11
1.3.2 Booking voucher	13
1.3.3 Violations of accounting obligations and of German GAAP	13
1.3.4 Retention periods	14
2 Stocktaking and inventory	17
2.1 Basics	17
2.2 Stocktaking	17
2.3 Inventory	19
2.4 Determination of success by operating capital comparison	22
3 Balance sheet	25
3.1 Basics	25
3.2 Structure and content of the balance sheet	27
3.3 Changes in the balance sheet	30
3.3.1 Overview	30
3.3.2 Asset swap	30
3.3.3 Liability swap	31
3.3.4 Balance sheet expansion	32
3.3.5 Balance sheet contraction	33
4 Booking to accounts	35
4.1 Balance sheet accounts	35
4.1.1 Breaking down the balance sheet into accounts	35
4.1.2 Booking to balance sheet accounts	38
4.1.2.1 Simple entry	38
4.1.2.2 Compound entry	40
4.1.3 Opening and closing balance sheet accounts	40
4.1.3.1 Opening balance sheet accounts	40
4.1.3.2 Closing balance sheet accounts	41

4.2	Equity account and its sub-accounts	45
4.2.1	Income accounts.....	45
4.2.1.1	Expense accounts and revenue accounts.....	45
4.2.1.2	P&L account	47
4.2.2	Private account(s).....	49
4.3	Interim conclusion	50
5	Standard charts of accounts and individual charts of accounts.....	55
5.1	Basics	55
5.2	Standard charts of accounts	56
5.2.1	Overview.....	56
5.2.2	“Joint Chart of Accounts”.....	57
5.2.3	“Industrial Chart of Accounts”.....	61
5.3	Individual charts of accounts	65
6	Bookings in trading and manufacturing enterprises	67
6.1	Bookings in trading enterprises	67
6.1.1	Overview.....	67
6.1.2	Uniform merchandise account	68
6.1.3	Separate merchandise accounts.....	68
6.1.3.1	Merchandise purchase account	68
6.1.3.2	Merchandise sales account.....	71
6.1.3.3	Closing of the separate merchandise accounts.....	72
6.1.3.3.1	Closing using the net method.....	72
6.1.3.3.2	Closing using the gross method	72
6.2	Bookings in manufacturing enterprises	78
6.2.1	Purchase and consumption of raw materials, supplies and consumables.....	78
6.2.2	Changes in stocks of finished goods and work in progress.....	80
6.2.3	Accounting for changes in stocks of finished goods and work in progress.....	81
6.3	Excursus: Income statement	88
6.4	Valuation of inventories.....	90
7	Booking of value-added tax (VAT).....	101
7.1	Nature of VAT.....	101
7.2	VAT account.....	104
7.3	Input tax account.....	106
7.4	Closing the VAT account and the input tax account.....	106
8	Special bookings in sales and procurement.....	109
8.1	Delivery costs	109
8.2	Return shipments and credit notes	110

8.3	Discounts, cash discounts and bonuses	112
8.3.1	Discounts	112
8.3.2	Cash discounts	112
8.3.3	Bonuses.....	115
8.4	Down payments received	116
8.5	Leases	117
8.5.1	Forms of leases	117
8.5.2	Economic attribution to the lessor	118
8.5.2.1	Booking rules for the lessor.....	118
8.5.2.2	Booking rules for the lessee	119
8.5.3	Economic attribution to the lessee.....	119
8.5.3.1	Booking rules for the lessor.....	119
8.5.3.2	Booking rules for the lessee	122
8.6	Private withdrawals of goods or services	124
9	Personnel expenses	127
9.1	Basics	127
9.2	Booking of personnel expenses	128
9.3	Booking of advances and part-payments.....	130
9.4	Booking of remuneration in kind	132
9.5	Booking of benefits to encourage capital formation.....	134
10	Fixed asset accounting	137
10.1	Basics	137
10.2	Booking of fixed asset purchases	138
10.3	Booking of internal expenses capitalised	140
10.4	Booking of down payments made and assets under construction.....	142
10.5	Booking of fixed asset disposals	142
11	Securities and long-term liabilities.....	147
11.1	Balance sheet classification of securities.....	147
11.2	Booking of the acquisition of securities	149
11.2.1	Bearer securities	149
11.2.2	Bonds	149
11.3	Booking of securities revenues.....	151
11.3.1	Bearer securities	151
11.3.2	Bonds	153
11.4	Booking of the sale of securities	153
11.4.1	Bearer securities	153
11.4.2	Bonds	154
11.5	Booking of long-term liabilities	155
12	Taxes	159
12.1	Basics	159
12.2	Taxes to be capitalised	159
12.3	Expense taxes	159

12.4	Personal taxes	160
12.5	Transitory taxes	160
13	Preparatory closing entries	161
13.1	Basics	161
13.2	Depreciation of fixed assets	162
13.2.1	Cause of depreciation.....	162
13.2.2	Depreciation methods	164
13.2.2.1	Overview	164
13.2.2.2	Straight-line method of depreciation	165
13.2.2.3	Reducing-balance method of depreciation.....	166
13.2.2.4	Usage-based method of depreciation	168
13.2.2.5	Low-cost assets	169
13.2.3	Booking of depreciation.....	172
13.3	Valuation adjustments to receivables.....	174
13.3.1	Reasons for valuation adjustments.....	174
13.3.2	Itemized valuation.....	175
13.3.2.1	Overview	175
13.3.2.2	Direct valuation adjustment procedure	175
13.3.2.3	Indirect valuation adjustment procedure.....	178
13.3.3	Global valuation.....	179
13.3.4	Mixed procedure (itemized and global valuation)	181
13.4	Accrual of expenses and revenues	183
13.4.1	Overview.....	183
13.4.2	Transitory deferred items: deferred expenses and deferred income. 184	
13.4.2.1	Basics.....	184
13.4.2.2	Deferred expenses.....	184
13.4.2.3	Deferred income	186
13.4.3	Anticipatory deferred items: other assets and other liabilities	188
13.4.3.1	Basics.....	188
13.4.3.2	Other assets.....	189
13.4.3.3	Other liabilities	191
13.4.4	Provisions.....	193
13.5	Deferred taxes.....	198
13.5.1	Cause of deferred taxes	198
13.5.2	Booking of deferred taxes.....	203
13.6	Cancellation booking and correction booking	209
13.6.1	Cancellation booking	209
13.6.2	Correction booking	210

14 General ledger trial balance.....	213
15 Organisation of the accounting	219
15.1 Components of the accounting organisation.....	219
15.1.1 Basics	219
15.1.2 Journal	219
15.1.3 General ledger.....	219
15.1.4 Subsidiary ledgers.....	220
15.2 Bookkeeping systems.....	220
15.2.1 Single-entry bookkeeping	220
15.2.2 Double-entry bookkeeping	221
Suggested solutions to the exercises	225
Sample exam with suggested solutions.....	241
Glossary of significant technical terms (English/German).....	251
Glossary of significant technical terms (German/English).....	263
Balanced sheet and income statement (German/English).....	275
References	279
Index	281

