

VII. Selected areas of accounting and financial reporting

1. The three-part merchandise account

The purchase and sale of merchandise (but also raw materials, supplies and Operating supplies) is usually managed not through one, but through **three accounts** :

- a) 160 goods in stock
- b) 410 Sales revenue
- c) 530 Trade goods input

In addition, accounts are set up for recording sales tax (351 FA-Sales Tax) and the Input tax (251 FA-Input tax) is required.

During the year, incoming goods are booked to account "160 Inventory".

Sales are to be recorded via the revenue account "410 Sales revenue":

160 goods in stock / 2 bank
2 cash registers / 410 sales revenue

At the end of the year (with appropriate organization of the inventory accounting, a Ongoing booking possible) is the **cost of goods sold** (sold goods valued at to determine the cost prices (more on this below) and to make a corresponding booking to be performed. This entry records the withdrawals from the inventory account and at the same time an expense (cost of goods sold) is added to the sales revenue for the interim year. contrasted:

530 Trading goods used / 160 Inventory

Closing accounts at year-end:

160 goods in stock: SBK
410 Sales revenues: Profit and loss statement
530 Cost of goods sold: Profit and loss statement

2. Determination of the cost of goods sold

The cost of goods sold refers to the **quantity sold, valued** at the

Purchase prices (cost price).

2.1. Quantity component

The **quantity component** of the cost of goods sold can be determined directly or indirectly.

2.1.1. Indirect Method

The **indirect method** starts with the initial inventory (+ purchases - returned goods)

Ending inventory as per physical count deducted. Result: the quantity considered to have been written down.

Beginning inventory (CI)

+ Acquisitions (ZK)

- Returned goods (RW)

- Actual ending inventory according to physical inventory

"a quantity deemed to be written"

2.1.2. Direct Method

The **direct method** requires inventory records. Here

Withdrawals are subtracted from the initial inventory (plus purchases - returned goods). Result:

Target ending inventory. If this is higher than the actual ending inventory according to the physical inventory count, then there is a shrinkage.

Any potential loss can therefore be determined using the direct method.

Beginning inventory (CI)

+ Acquisitions (ZK)

- Returned goods (RW)

- Withdrawals

Target final inventory

- Actual ending inventory according to physical inventory

Shrinkage

2.1.3. Inventory

The entrepreneur has at the **beginning of his business** and at the **end of each For the financial year, accurately assess** the assets and liabilities dedicated to that year. **to record** and state their **value**, i.e. to create an inventory (§ 191 para. 1 and 2). UGB).

The assets are usually inventoried by means of a **physical inventory**.

to be recorded (§ 192 para. 1 UGB). Exceptions:

No physical presence is required for the inventory at the end of a financial year.

Inventory of assets at this point in time, insofar as by application

one other that complies with the **principles of proper accounting**

The procedure ensures that the inventory of assets is accurate in terms of type, quantity and

Value can be determined even without a physical inventory for this point in time.

can (§ 192 para. 2 UGB).

Assets do not need to be included in the inventory at the end of a financial year.

be recorded when

1. The entrepreneur determines their inventory based on a physical inventory or on

Reason for an alternative procedure permissible under Section 192 Paragraph 2 of the Austrian Commercial Code (UGB) with regard to type, quantity and

has recorded value in a special inventory that was valid for one day within the last **three**

prepared **months before** or the **first two months after** the end of the financial year

is,

2. on the basis of the special inventory by applying a principle

proper accounting corresponding **Update-** or

The back-calculation procedure ensures that the balance existing at the end of the financial year is correct.

The inventory of assets at this point in time must be properly valued.

can (§ 192 para. 3 UGB).

During the inventory, the stock of assets may be determined by type, quantity, and value.

also using **recognized mathematical-statistical methods** based on

Samples will be taken. The procedure must comply with the principles of proper procedure.

The accounting records must comply with the requirements. The informative value of the inventory compiled in this manner must be sufficient.

the informative value of a report based on a physical inventory equivalent to inventories (§ 192 para. 4 UGB).

The inventory is used to determine the **actual stock** of assets and **evaluated**. If the entrepreneur keeps inventory records and can therefore determine the target value... Calculating the ending inventory (direct method) can be done by comparing the target inventory to the target inventory. The final inventory is compared to the actual final inventory to determine the **shrinkage** .

INVENTORY

§ 191 f UGB

- 1) PHYSICAL ASSESSMENT
- 2) EVALUATION

as of the balance sheet date (e.g., December 31st)

SIMPLIFICATION § 192

para. 2 - 4 UGB

- a) FORWARD/BACK INVOICE

3/2 months

- b) SAMPLING PROCEDURES

recognized mathematical-statistical methods

2.2. Valuation of the quantity sold and the inventory - consumption sequence method

The quantity sold must be valued. Therefore, the **relevant acquisition cost** must be determined. **to be determined.** A number of (simplification) methods are available for this purpose.

2.2.1. Identity pricing procedure

The valuation is most accurate when each sold item is exactly matched **to its** **The purchase price** can be assessed (identity pricing method). For this, a precise inventory management is required that allows each sold item to be assigned to a specific category. To be assigned to the procurement process.

However, certain *simplification procedures* may also be applied (§ 209 para. 2).
UGB):

(See also Section 209 Paragraph 1 of the Austrian Commercial Code: Valuation at a constant value)

2.2.2. Weighted Average Price Method

The weighted average price method calculates an average price from the

The initial inventory and all acquisitions are determined. This represents the simplest form of valuation.

dar.

A small grocery store offers small bottles of tequila in a bulk bin.

(Sales price €15). The cost of goods sold is to be determined at the end of the year. There are...

The opening inventory (OI) and purchases are known. Accurate inventory accounting is required.

Not recorded. The inventory at the end of the year shows a final stock of 150 bottles.

Determine the HWE using the weighted average price method.

Date		100 pieces,	à	
1.1.	AB according to inventory	200	10	
13.3.	1. Acquisition	pieces,	8	
15.5.	2nd acquisition	80	13	
1.10.	3rd acquisition	pieces, 400 pieces	6	

Date		100	à	Value
1.1.	AB according to inventory		10	1000
13.3.	1st purchase			1600
15.5.	2nd purchase		8	1040
1.10.	3. Purchase			2400
Total Actual			13 6	7.74 6040
Opening		pieces 200 80 400 780	150	
Balance HWE		630	7.74	4876.20

630 (780 - 150) bottles are considered to have been removed (shrinkage cannot be determined here).

(will be). The cost of goods sold is 4876.20 (630 * 7.74).

2.2.3. Moving average price method

In the moving average price method, a new price is calculated after each purchase.

Average price calculated.

Determine the cost of goods sold, the ending inventory, and any potential losses.

using the moving average price method, and create the necessary

Journal entries. The ending inventory according to the physical count is 72 units. The price on the balance sheet date is €210 per unit (based on *Blaich/Weilinger/Zehetner*, exercise book for...).

Accounting [1996/98], 23/1/4).

1. 1. AB 6.	40 pieces at €200 each	18. 4. 1. Draft 35 pieces
2. 1. Purchase 8. 6.	220 pieces at €220 each	7. 5. 2. Draft 200 pieces
2. Purchase	300 pieces at €250 each	2. 8. 3. Copying 250 pieces

	40,220		Value
AB according to		à 200	8,000.00
inventory 1. Purchase	pieces	220	48,400.00
1. Average price 1st	260	216.92	56,400.00
entry 2. Entry	- 35	216.92	- 7592.20
2. Purchase 2.	- 200	216.92	- 43,384.00
Average	300	250	75,000.00
price 3. Entry Target	325	247.46	80423.80
ending inventory	- 250	247.46	- 61864.46
	75	247.46	18559.34

To calculate average prices:

$$56,400 : 260 = 216.92$$

Cost of goods sold:

$$7,592.20 + 43,384 + 61,864.46 = 112,840.66$$

Damage claim:

1. Calculation method:

1) Shrinkage: 75 pieces (target balance) - 72 pieces (actual balance) = 3 pieces
 $3 \text{ pieces} * 247.46 = 742.37$

2) Depreciation: (UV: strict lower of cost or market principle)
 $72 \text{ pieces} * (247.46 - 210) = 2,696.96$

3) Total loss: (Shrinkage + Depreciation)
 $742.37 + 2696.96 = 3,439.34$

2. Calculation method:

1) Devaluation:	75 pieces * (247.46 - 210) =	2,809.34
2) Shrinkage:	3 pieces * 210 =	630.00
3) Total damage:	2,809.50 + 630.00 =	3,439.34

Booking entries:

31. 12. 530 Merchandise usage	112,840.66	
531 claims	3,439.34	
160 merchandise stock		116,280.00

2.2.4. FIFO and LIFO methods

The aforementioned methods are also known as real valuation methods.

In contrast, the following procedures are referred to as art valuation procedures.

The FIFO (first in – first out) method assumes that the items purchased first, i.e.

The oldest goods are sold first. In contrast, the LIFO (last in, first out) method...

(in - first out) assumes that the newest goods are sold first (see § 209 para. 2).

(UGB). FIFO and LIFO are only recognized for tax purposes if they are an approximation method for to represent actual operational investigations. This must be made credible.³⁶⁶

Tequila example: Determine the cost of goods sold using the FIFO method.

	à	Value
100 pieces,		
200	10	1000
pieces,	8	1600
80	13	1040
pieces,	6	1500
<hr/>		
250 pieces, 630 pieces		5140

Tequila example: Determine the cost of goods sold using the LIFO method.

	à	Value
400 pieces,		
80	6	2400
	13	1040
pieces,	8	1200
<hr/>		
150 pieces, 630 pieces		4640

Other art valuation methods (HIFO: highest in - first out; LOFO: lowest in - first out)

are not recognized for tax purposes. The LOFO method is also considered under commercial law as considered inadmissible because it violates the precautionary principle.

2.2.5. Choice of assessment method

The entity preparing the financial statements is generally not free to choose its valuation method. It has to choose the procedure that most closely approximates a "truest possible picture of the assets-

³⁶⁶ See, for example, *Essl*, The tax permissibility of the LIFO method and further aspects, SWK 2001/9 p. 306.

(Financial) and earnings situation" (§ 195 and § 222 para. 2 UGB).³⁶⁷ It is therefore the most accurate

The procedure to be chosen (argument: "the most faithful possible representation"). Therefore, the following admissibility criteria apply:

Order within the real valuation procedures:

1. Identity pricing method (if possible due to appropriate inventory records)
2. Moving average price method (if based on the recording of withdrawals
["drafts"] possible)
3. Weighted average price method

The FIFO and LIFO methods are permissible under company law if they comply with the

comply with the principles of proper accounting (§ 209 para. 2 UGB).

Furthermore, *tax law* restrictions must be observed. The real valuation methods

(Identity pricing method, moving average and weighted average pricing method) are used

generally considered permissible under tax law.³⁶⁸ The art valuation procedures are

Tax-deductible only if it is an approximation method to the actual cost

Deployment determination. Consequently, the FIFO and LOFO methods – since they are

not based on the actual consumption sequence, but on the level of the purchase prices

orient yourself - not recognized for tax purposes.³⁶⁹ However, they would also be subject to company law.

The requirements are rarely met. The LIFO method is also rarely recognized for tax purposes.

At this point, we should reiterate the principle of material balance sheet continuity.

pointed out. Accordingly, the Evaluation principles for similar

to maintain assets, liabilities and provisions, unless

Are there economic reasons or special circumstances that justify a change of method?

(Prohibition of arbitrariness). Therefore, a different one cannot be arbitrarily chosen from year to year.

Evaluation procedures must be chosen. An exceptionally permissible change of method is allowed in the

To explain in the appendix.

Think about how you manage your yogurts in your refrigerator! Which

What would be the closest approach to this storage management method for art valuation?

³⁶⁷ See Bertl/Deutsch/Hirschler, Accounting and Financial Reporting Handbook (1997) 273.

³⁶⁸ See Bertl/Deutsch/Hirschler, Accounting and Financial Reporting Handbook (1997) 273.

³⁶⁹ See Bertl/Deutsch/Hirschler, Accounting and Financial Reporting Handbook (1997) 273.

Different results can be achieved by choosing a different evaluation method.

Which art valuation method would you recommend – assuming rising prices?

(Inflation) – which option do you want to choose if you want to report the lowest possible profit?

3. Purchase and sale – including discount and cash discount booking

On October 24th we will sell and on October 27th we will deliver goods worth €190,000,-- plus 20% VAT.

We charge €14,400 for transport costs (including 20% VAT). Upon conclusion of the

For business transactions, we grant an immediate discount of 10% on the purchase price, and upon payment

A 5% discount is offered for payments made within 8 days. The buyer pays the outstanding amount (less the discount of...).

Cash discount) on October 31st. Make the corresponding entries for the seller and the buyer. *(Based on Blaich/*

Weilinger/Zehetner, Accounting Exercise Book)

[1996/98], 9/1/2).

Salesperson:

Sale and delivery of goods:

27.10.200 Receivables from deliveries and services 410 Sales	219,600	
revenue 490 Transport		171,000
revenue 351 VAT		12,000
		36,600

Side calculation:

Net list price	190,000
- 10% discount	19,000
	<hr/>
= Net price	171,000
+ VAT 20%	34,200
	<hr/>
Gross price	205,200

14,400 : 1.2 = 12,000 VAT: 2,400

VAT: 34,200 + 2,400 = 36,600

Note: The discount is only granted on the purchase price of the goods.

Cash payment less discount:

31.10. 270 Cash 410	208,620	
Sales revenue 490	8,550	
Transport revenue 351	600	
VAT 200 Receivables from	1,830	
goods and services		219,600

219,600 * 0.95 = 208,620 Amount to be transferred

171,000 * 0.05 = 8,550 Reduction of merchandise revenue

12,000 * 0.05 = 600 Reduction of transport revenue

36,600 * 0.05 = 1,830 Reduction of VAT liability

Note: The discount was recorded as a reduction of the sales revenue and the transport revenue. It could also be recorded in an adjustment account ("4 Discount Expense").

The VAT liability must also be reduced.

Buyer:

Purchase and delivery of the purchased goods:

27. 10. 160 Merchandise inventory 100	171,000	
Purchase settlement 251 Tax	12,000	
office input tax 330	36,600	
Liabilities from deliveries or services		219,600

Note: Inbound freight charges increase the purchase price of the goods. They are therefore included in the price. to book to account "160 Merchandise Inventory". However, they can also be booked to the Post to a separate account "100 Payment Settlement" (done here). This account The balance will then be offset against the merchandise inventory account at the end of the financial year. Completed. This increases the significance of the findings.

Payment less the discount:

31. 10. 330 Liabilities arising from delivery or service	219,600	
160 merchandise stock		8,550
100 Reference settlement		600
251 FA-Input tax		1,830
270 cash register		208,620

Note: The discount was used here as a reduction in the merchandise inventory (and the (Incoming freight) is recorded. It could also be posted to a separate discount revenue account. (5. Discount income) should be booked. The input tax must also be reduced.

Note: A discount can be recorded in various ways on the buyer's side (see below).

Blaich/ Weillinger/ Zehetner, Exercise book on accounting [1996/98], 13/ I/ 3):

1) **Unused discount as financing expense:**

It can be deducted when the invoice is booked and allocated to a The expense account "8 Unused discounts" should be posted. If the discount is taken at the If the payment is used up, the expense entry is reversed by a counter-entry. to cancel. In this scenario, the (unused) discount is therefore not activated. but are viewed as financing costs.

2) Used discount as "returned goods":

The entire invoice amount will be activated. If the discount is taken, a corresponding correction entry is made. If the discount is not used, it is included in the purchase price. "Returned goods" refers to any subsequent modification or replacement. Price reduction, regardless of the title for which it is made. It plays from an accounting perspective, it makes no difference whether the goods are actually returned or not. Only a price reduction is granted. In both cases, a "return goods booking" has been made. If one simply considers the discount as a price reduction is offered, this option will be chosen.

3) Utilized discount as revenue:

The entire invoice amount will be activated. If the discount is used upon payment, a discount is granted ("5 discounts"). The acquisition cost remains unchanged. This so-called "practitioner method" is certainly applicable when acquiring fixed assets are inadmissible, as otherwise excessive depreciation (and IFB) would result. This would result in a basis (the latter concern rendered moot by the elimination of the possibility).
(for the formation of IFB through the Budget Accompanying Act 2001, Federal Law Gazette I 2000/142).

In any case, a proportional reduction of the input tax must be made.

Closing of the preliminary account "Withdrawal clearing":

31. 12. 160 Merchandise stock	11,400	
100 Reference settlement		11,400

$$12,000 - 600 = 11,400$$

4. Entries relating to fixed assets

4.1. Acquisition, depreciation and disposal of fixed assets

A product purchased on June 2nd, 2021 for €720,000 (including 20% VAT) and delivered on June 30th, 2021 and the production plant, which went into operation on July 2nd, is being depreciated using the straight-line method. In addition to the purchase price included €10,000 for transport and €25,000 each for installation.

These services will be charged plus 20% VAT. These services were also provided by the

The delivery company was taken over and invoiced at the same time as the purchase price.

Payment of the total invoice will be made later.

Standard useful life 9 years, scrap value €5,000. Due to technical reasons

Due to the upgrades, the plant will be prematurely commissioned on June 6, 2025, for €250,000 plus 20% VAT.

Sold and delivered on June 17, 2025. The purchase price is finally transferred on September 18th.

Bank transfer.

The entries for the acquisition and disposal years are required. (See *Blaich/Weilinger/Zehetner, Übungsbuch zur Rechnungslegung (1996/98), 27/I/1*).

Delivery of the production plant (2021):

30. 6. 040 Production machinery 251 FA-	635,000	
Input tax 360 Liabilities	127,000	
from plant purchase		762,000

$$720,000 : 1.2 = 600,000 \text{ VAT: } 120,000$$

$$600,000 + 10,000 + 25,000 = 635,000 \text{ Acquisition costs (net)}$$

$$120,000 + 2,000 + 5,000 = 127,000 \text{ Input tax}$$

Note: Since no further information on the depreciation method is given, both direct and indirect depreciation are shown here:

Depreciation 2021 (direct):

31. 12. 701 Scheduled depreciation 040	35,000	
Production machinery		35,000

$$(635,000 - 5,000) : 9 = 70,000 \text{ Annual depreciation}$$

$$70,000 : 2 = 35,000 \text{ Half-year depreciation}$$

Note: Since the production machine was put into operation in the second half of the year (July 2nd), only to carry out a half-year depreciation (§ 7 para. 2 EStG).

Depreciation 2021 (indirect):

31. 12. 701 scheduled depreciation	35,000
-------------------------------------------	---------------

094 accumulated depreciation on 040 machines	35,000
-----------------------------------------------------	---------------

Sales and delivery (2025):

June 17, 230 Receivables from plant sale 460 Proceeds	300,000	
from plant sale 351 Tax office - Sales		250,000
tax		50,000

For the sake of completeness, the VAT entries are also listed here:

Incurrence of VAT liability:

30. 6. 351 FA-Sales Tax	50,000	
355 FA payment burden		50,000

Due date of the VAT liability:

8/15 355 FA payload 280 Bank	50,000	
		50,000

Payment:

September 18, 280	300,000	
Bank 230 Receivables from asset sale		300,000

Depreciation 2025 (direct):

31. 12. 701 Scheduled depreciation 040	35,000	
Production machinery		35,000

Note: Since the production machine is disposed of in the first half of the year, only half-year depreciation is to be carried out (Section 7 Paragraph 2 of the Income Tax Act).

Discard residual book value:

31.12.782 Book value of disposed assets	355,000	
040 Manufacturing machines		355,000

35,000 (2021) + 70,000 (2022) + 70,000 (2023) + 70,000 (2024) + 35,000 (2025) = 280,000
previous depreciation

$$635,000 - 280,000 = 355,000$$

Residual book value

Note: Depreciation and book value allocation could also be carried out immediately after delivery. In practice, however, this is often only done during the year-end closing process.

Depreciation 2025 (indirect):

31. 12. 701 scheduled depreciation 094	35,000	
accumulated depreciation on 040 machines		35,000

Reclassification of indirect depreciation and disposal of the book value:

31. 12. 094 accumulated depreciation on 040 machines 782 book	280,000	
value of disposed assets 040 production	355,000	
machinery		635,000

*Note: The amounts of the depreciation carried out so far can be found in the valuation allowance account "094 accumulated depreciation for 040 machines": $2 * 35,000 + 3 * 70,000 = 280,000$.*

The term "**AfA**" (depreciation allowance) is a term from tax law (§ 7 EStG). In corporate law

The term "planned depreciation" is used. In practice, however, the term "planned depreciation" is also frequently used.

The account name "AfA" is used because, in case of doubt, one would automatically look for a different account – to avoid a multi-year review.

The company law is aligned with tax law regulations. The company law orientation towards tax law regulations.

Regulations are of course only permissible if they do not impose an obligation to represent the situation as faithfully as possible.

The company's financial position, financial position and earnings (§§ 195, 222 UGB) and the principle of prudence dictate otherwise.

As a rule, depreciation is also calculated **linearly** under company law (see Section 7 Paragraph 1 of the German Income Tax Act: uniform depreciation).

Distribution over the normal useful life).

Since the Economic Stimulus Act 2020 (KonStG 2020), Federal Law Gazette I 2020/96, Section 7 Paragraph 1a of the Income Tax Act (EStG) applies (for tax purposes from [date]).

(assets acquired or manufactured on or after June 30, 2020) also have the option of **declining-balance depreciation**.

Depreciation can therefore also be calculated in decreasing annual amounts based on a fixed base.

A maximum percentage of 30% will be applied (degressive depreciation). This percentage is based on the

The respective book value (remaining book value) is applied, resulting in the respective annual amount. This does not apply, for example, to...

Buildings, company assets, motor vehicles (with the exception of electric cars, used business assets).

Passenger cars must be depreciated over at **least 8 years** (§ 8 para. 6 no. 1 EStG).

Example calculation for declining balance depreciation: Acquisition costs: 100,000; Useful life: 8 years; Book value after useful life: 0:

Year 1	30% of €100,000 = €30,000 (remaining book value €70,000)	
Year	30% of €70,000 = €21,000 (remaining book value €49,000)	
Year	30% of €49,000 = €14,700 (remaining book value €34,300)	
Year	30% of €34,300 = €10,290 (remaining book value €24,010)	
Year Year Year 5	30% of €24,010 = €7,203 (remaining book value €16,807)	
etc		

4.2. Low-value assets

According to § 13 EStG, the acquisition or production costs of **depreciable**

Fixed assets can be deducted as operating expenses if these costs are for the individual

Fixed asset € **1000370 (net)**; except in cases of a fictitious VAT exemption) not

exceed (low-value assets).

Low-value assets can therefore be written off immediately. Alternatively,

However, they can also be capitalized and depreciated over their useful life. Capital assets,

Items consisting of parts are to be considered as a unit if, according to their economic purpose, they

Purpose or form a **unit** according to common understanding .

This regulation, although a tax law provision, has already been applied in corporate law. The 2014

Corporate Law Amendment Act (RÄG 2014) further expanded this application.

explicit provision: 371 Acquisition or production costs of **low-value assets**

Depreciable fixed assets may be fully depreciated in the year of their acquisition or production (§

204 para. 1a UGB as amended by the Accounting Amendment Act 2014). Under company law, they may

now even be fully depreciated if the

The materiality threshold can be written off immediately.³⁷² Only in the case of a distortion of the *true and fair*

View would require activation.

Under the old legal framework (until the Accounting Amendment Act 2014), full depreciation of low-value assets of significant value (over 10% of the scheduled depreciation of the fixed assets) required separate disclosure under the untaxed reserves in the valuation reserve (§ 205 UGB; repealed by the Accounting Amendment Act 2014).³⁷³

This also applies to profit determination according to § 4 para. 3 EStG (income-expense statement)

The amount can be fully deducted in the year it is spent.

The option of immediate depreciation does not apply to assets that are used for consideration.

Transfers are determined (§ 13 last sentence EStG).

370 idF Tax Reform 2022 (for fiscal years beginning after 31.12.2022); until 31.12.2019 € 800; before that € 400; before that S 5000.

371 See previously § 205 UGB (repealed by RÄG 2014).

372 ErlRV RÄG 2014 GP XXV RV 367, 7; *Dokalik/Hirschler*, RÄG 2014 - Reform of Accounting Law (2015) 41.

373 See in detail *Bertl/Deutsch/Hirschler*, *Buchhaltungs- und Bilanzierungshandbuch*5 (2007) 405 ff.

Booking:

Low-value assets are initially capitalized and then repurposed in the same year.

Fully written off or (to simplify matters in practice) immediately booked in full as an expense:

Activation of the low-value asset:

0 Low-value assets	1000	
2 FA-Input tax	200	
2 Bank		1200

Depreciation of low-value assets:

7 Depreciation of low-value assets	1000	
0 accumulated depreciation of low-value assets		1000

Rebooking:

0 accumulated depreciation of low-value assets	1000	
0 Low-value assets		1000

On September 13th, an office meeting set (usage period: 10 years) was purchased and more delivered and set up in the office on the same day. The 6 chairs cost €200 each, plus 20% VAT. The table, costing €300 plus 20% VAT, was invoiced on 7 separate invoices and paid by us via 7 bank transfers. The 7 assets were each recorded with the journal entries "706 Depreciation of low-value assets" Assets + 251 VAT input tax to 280 Bank" booked. See as for the Accounting Manager on December 31st: Is action required? (Based on *Blaich/Weilinger/Zehetner, Exercise Book on Accounting (1996/98), 31/I/1*).

Activation and reversal of depreciation:

31. 12. 050 Operating and business equipment	1,500	
706 Depreciation of low-value assets		1,500
Assets		

$$6 * 200 + 300 = 1,500$$

Planned depreciation (direct):

31. 12. 701 Scheduled depreciation 050	75	
Operating and business equipment		75

$$1,500 \div 10 = 150 \quad (\text{Full year depreciation})$$

$$150 \div 2 = 75 \quad (\text{Half-year depreciation})$$

Note: The office conference set is to be considered a single economic unit. The individual components cannot therefore be treated as low-value assets/assets.

The depreciation (§ 13 EStG) can be written off immediately. Therefore, the depreciation must be reversed. The set must be capitalized and depreciated over its useful life.

4.3. Activation prohibitions

Vaxina AG developed a new vaccine in its company during the final year.

against hay fever. According to internal company calculations, the following were determined for the necessary trials: €18,700,000 for personnel expenses and €1,300,000.

Booked for material usage (affecting profit).

Two employees propose on December 31st that these research costs be capitalized. They will tasked with the correct accounting entry. (Based on *Blaich/Weilinger/Zehetner*, Exercise Book on Accounting (1996/98), 30/I/3a).

Since **self-created intangible assets** are difficult to value

They are subject to a **prohibition on activation** (§ 197 para. 2 UGB). This includes, for example, own Research and development expenses, self-created patents and similar Intellectual property rights (e.g., copyrights) are affected. Only those acquired for a fee (and therefore Market-valued intangible assets of fixed assets may be activated.

Therefore, in the present case, there must be no activation of the research and Development expenditures will be incurred.

What problems does this regulation cause? What course of action do you propose as a [position]? Any alternatives?

5. Acquisition and production costs

For **fixed assets** , see § 203; for **current assets** , see § 206, which also refers to § 203.

Sections 2-4 of the Austrian Commercial Code (UGB) are referenced.

5.1. Acquisition costs

Acquired assets are valued at their **acquisition costs** (purchase price: Acquisition costs + incidental acquisition costs + subsequent acquisition costs - to apply reductions in acquisition costs and to reduce depreciation (result: (updated acquisition costs)). Acquisition costs are the expenses that payments made to *acquire* an asset and convert it into a *to put the asset into an operational state*, insofar as they are individually related to the asset can be allocated. The acquisition costs also include *incidental costs* as well as... Subsequent *acquisition costs*. Purchase price reductions must be deducted.

See Section 203 Paragraphs 1 and 2 as well as Section 206 of the Austrian Commercial Code (UGB).

5.2. Manufacturing costs

Self-produced assets are valued at their **production costs** (minus Depreciation) is applied (result: updated **production costs**). Through the The activation of production costs is added to the production expenses already recorded. an asset value is compared, thus ensuring (largely) neutrality of the outcome. The manufacturing process is complete. Manufacturing costs are the expenses incurred for the Production of an asset, its expansion, or for a purpose beyond its original scope Significant improvements beyond the original condition will occur. See Section 203, Paragraph 1. 1 and 3 as well as § 206 UGB.

The EU-GesRÄG 1996 (Federal Law Gazette 1996/304) redefined the scope of manufacturing costs (§ 203 paras. 3 and 4, § 206 para. 2 Austrian Commercial Code): When calculating manufacturing costs, at least the direct costs (note: this is a cash-based cost concept!), i.e., direct material costs, direct labor costs, and special manufacturing costs, had to be included (**minimum allowance**). In addition, reasonable portions of material overhead and manufacturing overhead could also be included. Furthermore, certain social security contributions and attributable interest on borrowed capital could be included (**maximum allowance**). General administrative and sales overhead costs were generally not permitted. Only in the case of long-term contracts whose execution extends over more than twelve months, were reasonable parts of the administrative and sales costs allowed to be included, provided that a reliable cost accounting system is available and that no losses are imminent from the further processing of the contract (§ 206 para. 3 UGB).

The introduction of this right to vote by the EU-GesRÄG 1996 was amended by the RÄG 2014.

Reversed: Now, **reasonable portions of overhead costs** must also be included to the extent that they relate to the production period. (Act 2014)

Thus, a closer alignment with tax law was achieved.

As before, the following applies: If overhead costs are excessive due to obvious underemployment, then **Only those parts** of these costs corresponding to an average level of employment may be included. be taken into account.

Expenditures for company social facilities, for voluntary social benefits, for Occupational pension schemes and severance payments may be included (§ 203 para. 3). UGB).

General administrative and sales costs must *not* be included in the Manufacturing costs are included (§ 203 para. 3 lit. S UGB). In *exceptional cases*, this leads to Prohibition of including costs of general administration and distribution (§ 203

Paragraph 3, last sentence) to ensure that the **most accurate possible picture** of the assets, finances and The earnings situation cannot be conveyed even with additional notes to the financial statements (§ 222 para. 2),

For orders whose execution extends over more than twelve months,

Appropriate portions of administrative and sales costs should be allocated if a **reliable cost accounting** is available and insofar as **no** further costs arise from the further processing of the order.

Losses are imminent. The application of this provision must be indicated in the **annex** and...

justify and their influence on the company's assets, financial position and earnings

to be explained; at the same time, the total amount allocated in excess of the production costs must be stated (§ 206 para.

3 UGB as amended by the Accounting Amendment Act 2014). Background: This right of election is contained in the Directive

Directive 2013/34/EU is not included; therefore, the legislator has decided to retain it.

can design it as a true and fair view override (see Article 4(4) of the Directive).

Interest on borrowed capital used to finance the production of goods

Whether used for fixed or current assets, they may be used within the framework of the

Manufacturing costs are to be included insofar as they *relate to the manufacturing period*.

(see in more detail Section 203 Paragraph 4 of the Austrian Commercial Code (UGB), also regarding required notes to the appendix).

For tax purposes, appropriate portions of material overhead and manufacturing overhead must also be included (§ 6 para. 2 lit. a EStG as amended by the Tax Amendment Act 1996). The dispute

The scope of the manufacturing costs thus lay between the minimum and maximum levels (as amended by EU-GesRÄG 1996, but prior to RÄG 2014). RÄG 2014 restored consistency in this regard. How one calculated the manufacturing costs (until RÄG 2014)

Manufacturing costs (permissibly) deviated from the strict regulations, subsequently necessitated...

For tax purposes, a reconciliation (MWR) must be carried out. For tax purposes, this is done via the tax office.

For further information on the valuation, see Section 6 of the Income Tax Act (EStG).

Manufacturing costs
(# KORE: Manufacturing costs)

Section 203 Paragraph 3 of the Austrian Commercial Code (UGB) as amended by the EU-GesRÄG 1996, prior to the RÄG 2014

Manufacturing, expansion, significant improvement: activate

Manufacturing material	Individual costs
Manufacturing costs	
Special manufacturing costs	
minimum approach under company law	
Material overheads	See, however, Section 6 Paragraph 2 Letter a of the Income Tax Act as amended.
Manufacturing overhead	Tax Amendment Act 1996: str must
Social security contributions	Section 203 Paragraph 3 Sentence 4 UGB
Maximum interest rates on borrowed capital under company law	Section 203 Paragraph 4 UGB
<i>Administrative overheads</i>	They may not be included. However, for contracts whose fulfillment extends over more than twelve months, reasonable portions of administrative and sales costs may be included (§ 206 para. 3 UGB).
<i>Sales overheads</i>	
<i>Special sales costs</i>	
Cost price	

Section 203 Paragraph 3 of the Austrian Commercial Code (UGB) as amended by the Accounting Amendment Act 2014

Manufacturing material	EK
+ Material overhead costs	GK: appropriate
Manufacturing costs	EK
+ Manufacturing overhead costs	GK: appropriate
Special manufacturing costs	EK
minimum approach under company law	
Social security contributions	Section 203 Paragraph 3 Sentence 4 of the Austrian Commercial Code (UGB); can
Maximum interest rates on borrowed capital under company law	Section 203 Paragraph 4 of the Austrian Commercial Code (UGB); can
<i>Administrative overheads</i> <i>Sales overheads</i>	These costs may not be included. However, for contracts whose fulfillment extends over more than twelve months, reasonable portions of administrative and sales costs may be included, but only if a <i>true and fair view</i> is otherwise not possible. can be mediated (§ 206 para 3 UGB as amended by RÄG 2014).
<i>Special sales costs</i>	
Cost price	

Continuing the last example: During the final year, it was also already

Vaccine produced. The production of this vaccine, which has not yet been released for sale, is underway.

Raw materials used in the vaccine, with an acquisition value of €400,000, were used during

The expenses are booked as expenses as they arise during the year. Likewise, those associated with their generation.

Associated manufacturing wages amounting to €600,000. The material overhead costs

The surcharge is 50%, the manufacturing overhead surcharge is 60%.

Administrative overhead costs amount to 20%. Carry out the necessary (also tax-related) documentation.

permissible) bookings. (Based on *Blaich/Weilinger/Zehetner*, exercise book for Accounting (1996/98), 30/I/3b).

Manufacturing costs:

Manufacturing material	400,000
Material overhead costs 50% 200,000	
Manufacturing wages 600,000	
Manufacturing overhead costs 60% 360,000	
Special manufacturing costs 0	
= Production costs 1,560,000	

Capitalization of production costs:

December 31st: 160 vaccines,	1,560,000	
450 inventory changes		1,560,000

Note: The regulations for calculating production costs apply equally to fixed assets (§ 203 para. 1, 3 and 4 UGB) and current assets (§ 206 para. 2 in conjunction with § 203 para. 3 and 4 UGB). However, different revenue accounts must be used when capitalizing production costs: "4 Capitalized Own Work" (for fixed assets) and "4 Change in Inventories" (for current assets).

If the reported profit in the financial year is to be as high/low as possible, you will choose the maximum approach under company law or the minimum approach under company law?

6. Accounting for taxes

It is not possible to make a general statement about how taxes should be recorded.

The following types of taxes and accounting methods must be distinguished:

- **Tax burden:** e.g.

- Local tax (6 local tax / 2 bank tax),
- Property tax (7 property tax / 2 bank),
- Corporate income tax (8 corporate income tax / 3 residual income tax corporate income tax [Note: not a business expense: therefore MWR])

- **Pass-through tax:** usually VAT (except for non-genuine VAT exemptions)

- **Tax subject to activation:** Real estate transfer tax (0 Land / 2 Bank)

- **Private withdrawal:** Income tax of a general partner (9 private / 2 bank)

7. Receivables valuation

Receivables are part of current assets. Therefore, they must be accounted for in accordance with *strict accounting principles*.

to be assessed according to the lower of cost or market principle.

7.1. Uncollectible receivables

If a claim proves to be uncollectible, it must be written off.

Write-off of the uncollectible debt:

31. 12. 7 Write-off of uncollectible receivables 3 VAT 2	100,000	
Receivables from	20,000	
deliveries and services		120,000

When writing off the asset, the originally recorded sales tax must also be corrected.

7.2. Dubious demands

On December 31st, we learned that our customer was experiencing payment difficulties. He owes us €48,000. The VAT rate is 20%. We expect that 70% of the

The demand will be met.

(Based on *Blaich/Weilinger/Zehetner*, Exercise Book on Accounting [1996/98],

30/I/4).

a) Create the journal entries for December 31st (excluding closing entries):

Option 1:

Rebooking the dubious claim:

31. 12. 201 dubious claims 200 claims	48,000	
arising from deliveries and services		48,000

Note: The dubious claim will be separated from the rest. The entire gross amount will be transferred.

Individual valuation adjustment of the dubious claim:

31. 12. 781 Write-off of dubious receivables	12,000	
201 dubious claims		12,000

$$48,000 : 1.2 = 40,000$$

$$40,000 * 0.3 = 12,000$$

Note: Depreciation (30%) is calculated on the net amount.

Option 2:

Individual valuation adjustment of the doubtful receivable - indirect accounting:

31. 12. 781 Write-off of dubious receivables 12,000	
208 Allowance for doubtful accounts	12,000

b) On February 13th of the following year, it turns out that only 40% of the claim is collectable.

The amount will be paid to us in cash on the same day.

Receipt of the claim (ad 1st possibility):

13. 2. 270 Cash 351 VAT	19,200	
781 Write-off of dubious	4,800	
receivables 201 dubious receivables	12,000	
		36,000

$$48,000 * 0.4 = 19,200$$

To calculate the VAT adjustment:

Outstanding claim 48,000

- Payment received: 19,200

= Bad debt 28,800 including VAT

Note: This bad debt includes a net receivable of €24,000 and a VAT component of €4,800. Since €12,000 was already written off in the previous year, the remaining €12,000 of the net bad debt must now be written off. The VAT component of the bad debt is borne by the tax authorities and reduces the company's liability to the tax office (351 VAT). Therefore, a contra entry must be made for this amount to reduce the VAT liability.

The account "201 dubious receivables" still contains 36,000,-- (48,000 - 12,000 = 36,000) after the value adjustment of 12,000 in the previous year.

Receipt of the claim (ad 2nd possibility):

13. 2. 270 Cash 351 VAT	19,200	
781 Write-off of dubious	4,800	
receivables 208 Valuation allowance for dubious	12,000	
receivables 200 Trade receivables	12,000	
		48,000

c) On February 13th of the following year, it turns out that 80% of the claim is collectable. The

The amount will be paid to us in cash on the same day.

Receipt of the claim (ad 1st possibility):

13. 2. 270 Cash 351 VAT	38,400	
480 Other operating income	1,600	
from receivables write-up 201 Doubtful receivables		4,000
		36,000

$$48,000 * 0.8 = 38,400$$

$$8,000 * 0.2 = 1,600$$

40,000 * (0.3 - 0.2) = 4,000 (30% were written off last year, 20% actually failed, so 10% too much was written off)

Receipt of the claim (ad 2nd possibility):

13. 2. 270 Cash 351 VAT	38,400	
480 Other operating income	1,600	
from receivables write-up 208 Valuation allowance for dubious		4,000
receivables 200 Trade receivables	12,000	
		48,000

7.3. Foreign currency receivables

An Austrian company imported goods worth Sin-\$100,000 from Singapore to Austria on November 9, 2003. On the same day, it sold and delivered goods to

Canada valued at CAN\$200,000. In both cases, payment was made by means of

Bank transfer agreed. On January 16, 2004, both amounts (Sin-\$ and CAN-\$) will be transferred.

transferred. The exchange rates (1 unit of foreign currency per unit) are:

Sin-\$:

Date	currency		currencies	
		Letter		letter
9.11.	Money	0.4824	Money	0.5025
31.12.	0.4701	0.4706	0.4608	0.4796
16.01.	0.4493 0.4536	0.4752	0.4414 0.4456	0.4844

Can-\$:

Date	currency		currencies	
		Letter		letter
9.11.	Money	0.6046	Money	0.6250
31.12.	0.5985	0.6005	0.5765	0.6200
16.01.	0.5900 0.5750	0.5900	0.5700 0.5610	0.6150

Create the necessary journal entries for all three dates. (Based on

Blaich/ Weilinger/ Zehetner, Exercise book on accounting [1996/98], 19/I/3).

Note: Since payments are usually made without cash, exchange rates must be used for conversion.

a) Import into Sin-\$:

Import of goods:

9. 11. 1 Merchandise inventory 3	48,240	
Foreign liabilities		48,240

$$100,000 * 0.4824 = 48,240$$

Foreign exchange bid rate

EUS:

9. 11. 2 Import VAT 2 Cashier	9,648	
		9,648

$$48,240 * 0.2 = 9,648$$

$100,000 * (0.4824 - 0.4706) = 1,180$ (exchange rate gain, therefore no entry). With an exchange rate loss of this amount, we would have recorded:

Valuation of foreign liabilities:

<i>December 31st</i>	<i>7 exchange rate</i>	<i>1,180</i>	
	<i>losses, 3 foreign liabilities</i>		<i>1,180</i>

Transfer of the liability:

16. 1. 3 Foreign liabilities 2 Bank 4 Exchange	48,240	
rate gains		47,520
		720

$$100,000 * 0.4752 = 47,520$$

$$100,000 * (0.4824 - 0.4752) = 720$$

b) Export to CAN-€:

Note: Exports to third countries (non-EU countries) are treated as (genuinely) VAT-exempt export deliveries. Exports to other EU countries are subject to the so-called "single market regulation," meaning that, on the supplier's side, these are generally (also) VAT-exempt intra-Community supplies.

Canada is not an EU member. The single market regulations therefore do not apply.

Export of goods:

9. 11. 2 Export receivables 4 Export	119,700	
revenues		119,700

$$200,000 * 0.5985 = 119,700$$

Assessment of the export claim:

December 31st, 7 share price losses	1,700	
2 Export demands		1,700

$$200,000 * (0.5985 - 0.5900) = 1,700$$

Transfer of the export claim:

16. 1. 2 Bank	115,000	
2 Export receivables 7		118,000
Exchange rate losses	3,000	

$$200,000 * 0.5750 = 115,000$$

$$119,700 - 1,700 = 118,000$$

$$200,000 * (0.5900 - 0.5750) = 3,000$$

7.4. Dubious foreign claim

Foreign receivables can be affected by both currency losses and (partial)

The debt may be at risk of becoming uncollectible.

8. Period-end closing

8.1. Advance payments (transitories: ARA, PRA)

Expenses and revenues must be reported on an accrual basis (accrual accounting). Profit determination). The key factor here is when the expense or revenue becomes **economically viable**. **was caused**. The time of payment is irrelevant (§ 201 para. 2 no. 5 UGB).

Are **advance payments** made during the fiscal year for expenses or revenues that services are only attributable to the following year (or a later financial year), provided or received and these payments have already been recorded as expenses or revenue, then Appropriate accrual entries must be made.

Payment now – expense or revenue later!

8.1.1. Own advance payments (active deferred payments)

Own advance payments are expenses that were made in the financial year, but

The expense should be carried forward economically to a later period. Therefore, the expense already recorded must be transferred to the... to be carried over to the next period. This is done with an active Accrued expenses (**ARA**), which must be shown on the asset side of the balance sheet (Account class 2).

8.1.2. Third-party advance payments (passive transitories)

Third-party advance payments exist when payments have been received in the financial year. for which there is no corresponding return yet. The return will only be generated in a subsequent period. generated. The revenue already recorded must therefore be carried over to the next period. This is done using a passive accrual (**PA**) item, which is based on the to be shown on the liabilities side of the balance sheet (account class 3).

Accruals and deferrals are purely "transportation accounts". They only exist on the December 31st at 1st.1st. They merely serve to transfer the advance payments made to the correct account. to transfer period.

Advance rent payments for 9 months (monthly rent €20,000) are due on October 1st. Provided. Make the bookings from both the tenant's and landlord's perspective.

a) Tenant's perspective

1. 10. 7 Rent expense 251	180,000	
 FA input tax 2 Bank	36,000	
		216,000

31. 12. 290 ARA 7	120,000	
 Rental expenses		120,000

31. 12. 9 P&L	60,000	
 7 Rental expenses		60,000

31. 12. 9 SBK 290	120,000	
 ARA		120,000

1. 1. 290 ARA 9 EBK	120,000	
		120,000

1.1.7 Rental expenses 290	120,000	
 ARA		120,000

b) Landlord's perspective

2. 10. 2 Bank 4	216,000	
 Rental income		180,000
 351 FA-Sales tax		36,000

31. 12. 4 Rental income 390	120,000	
 PRA		120,000

December 31, 2014. Rental income 9 Profit and loss statement	60,000	60,000
-----------------------------------------------------------------	--------	--------

31. 12. 390 PRA 9 SBK	120,000	120,000
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1.1.9 EBK 390 PRA	120,000	120,000
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1. 1. 390 PRA 4 Rental income	120,000	120,000
----------------------------------	---------	---------

8.2. Residues (Anticipations)

Arrears (anticipations) are the exact opposite of advance payments. Here, in the

Expenses and revenues have already been incurred in the current fiscal year . However, no [revenues/revenues] have yet been received.

Payments will be made. If no accounting is submitted by the end of the year, the revenues and

Expenses and the corresponding receivables and payables in the

The accounting data has not yet been recorded. This will be done during the preparation of the annual financial statements.

! Expenditure or revenue now - payment later !

8.2.1. Own residues (passive anticipations)

5-7 Expenses / 360 Other liabilities

Unlike provisions (more on that below), this obligation already known in principle and in amount.

8.2.2. Foreign residues (active anticipations)

2 other receivables / 4 income from ...

8.3. Provisions

8.3.1. Overview

Provisions, unlike reserves, which are specifically designated parts of the Equity capital is, in contrast to **debt capital**.

According to Section 198 Paragraph 8 of the Austrian Commercial Code (UGB), provisions for

a) uncertain liabilities (Z 1) and for

b) impending losses from pending transactions (provisions for impending losses)

to form (Z 1). Furthermore, *they may*

c) Provisions for expenses that are precisely defined by their nature and relate to the past

attributable expenses that are likely or certain to be incurred on the balance sheet date, but

are indeterminate with regard to their amount or the time of their occurrence. Such

Provisions *must* be made to the extent that this complies with the generally accepted accounting principles (Z 2).

Provisions other than those legally required may not be made.

There is no obligation to create provisions insofar as the amounts in question are not **material** (see Section 189a No. 10 UGB) (Section 198 Paragraph 8 No. 3 UGB as amended by the Accounting Amendment Act 2014).

Provisions must be made in particular for

- a) Entitlements to severance pay,
- b) current pensions and pension entitlements,
- c) Goodwill gestures, unused vacation time, anniversary bonuses, reversionary liabilities and product-liability risks
- d) obligations based on law or regulation to take back and recycle of products (§ 198 para 8 no 4 UGB).

Provisions must be classified in the balance sheet as follows (§ 224 para. 3 UGB)

C) Provisions:

1. Provisions for severance payments;
2. Provisions for pensions;
3. Tax provisions;
4. Other provisions.

- Provisions for uncertain liabilities (# 1, 2)
- Provisions for impending losses
- Provisions for expenses

When establishing a provision, the *settlement amount must be estimated as accurately as possible* (Section 211 Paragraph 1 of the Austrian Commercial Code (UGB) as amended by the Accounting Amendment Act 2014). *Future price and cost increases must be taken into account.* **be taken into account.** The valuation of long-term personnel provisions has according to to be carried out according to actuarial principles.

Provisions with a remaining term of more than one year must be treated with a _____ **discounted at the prevailing market interest rate** (§ 211 para. 2 UGB as amended by the Accounting Amendment Act 2014). (Note: in the future significant potential for conflict with Section 9 Paragraph 5 of the Income Tax Act (see below).

The **tax law regarding the creation of provisions is more restrictive.** Thus, neither expense provisions nor lump-sum provisions, which are sometimes used, are permitted. are permissible under company law. Different assessments according to _____ Corporate and tax law must be balanced via a profit and loss statement.

According to Section 9 Paragraph 1 of the German Income Tax Act (EStG), provisions can only be made for

1. Entitlements to **severance pay,**
2. **current pensions** and pension entitlements,
3. **Other uncertain liabilities** (if the provisions do not include severance payments, _____ (pensions or anniversary bonuses are concerned),
4. **Imminent losses from pending transactions.**

Provisions for other uncertain liabilities (item 3) and provisions for _____ Impending losses from pending transactions (Z 4) may **not** be calculated as a lump sum. Provisions may only be made if specific circumstances are proven. _____ can be determined according to which, in each individual case, the presence or emergence of a liability (a loss) is seriously to be expected (§ 9 para. 3 EStG).

Provisions within the meaning of sections 3 and 4 are to be recognized at their **partial value**. The partial value is to be discounted at an interest rate of 3.5%, provided the term of the provision is on balance sheet date is more than twelve months away (§ 9 para. 5 EStG).

Provisions for the obligation to make a gift on the occasion of a company anniversary may – unlike for a gift on the occasion of a service anniversary (revocation by Constitutional Court from 1999) – not be formed (§ 9 para. 4 EStG).

Severance pay and pension provisions as well as provisions for anniversary bonuses are

to be formed in accordance with Section 14 of the Income Tax Act (Section 9 Paragraph 2 of the Income Tax Act).

Income-expense accounting systems are only permitted to create **severance pay provisions**.

8.3.2. Provision for contingent liabilities

Uncertain liabilities are liabilities that are uncertain in amount and/or nature.

are *uncertain*. The provision must be made if there is a serious possibility of a claim being made.

It is necessary to calculate the amount. A provision must be made when there are more reasons for a claim than there are actual claims.

Arguments against it. Will an entrepreneur be penalized for allegedly deficient [qualifications]?

If a service is used, a *warranty and*

to create a *provision for litigation costs*.³⁷⁴

Unlike provisions, liabilities are fixed in terms of both their existence and amount.

secure commitments.

On December 31st, we realize that we have to pay the canal and telephone fees for the final year.

They have not yet paid due to lack of an invoice. The sewer fee is €1,840 according to the tariff.

The total cost is subject to 20% VAT. We estimate the telephone charges to be €2,900 net.

(Based on *Blaich/Weilinger/Zehetner*, Exercise Book on Accounting [1996/98],

26/I/3)

³⁷⁴ See in more detail *Bertl/Hirschler*, Formation and dissolution of warranty and litigation cost provisions, RWZ 2001, 356.

Canal fee:

31. 12. 720 Canal fee	1,840	
252 pending input tax 360 other	368	
liabilities		2,208

Provision for telephone expenses:

31. 12. 738 Telephone expenses	2,900	
312 Provision for telephone charges		2,900

Since the exact amount of telephone expenses attributable to the financial year is not yet known, a provision is made.

The outstanding canal fees also represent an expense for the closing period, but their amount and existence are already known. Therefore, no provision needs to be made. Since this is a passive anticipation (own arrears), the expense is recorded in a liabilities account.

Since no invoice has yet been issued for the sewer fee, the input tax cannot yet be claimed. It should therefore initially be posted to account "252 pending input tax". Once the invoice is issued, it will be transferred to account "251 tax office input tax" or directly to the tax liability account "355 tax office tax liability".

Any sales tax is not taken into account when creating a provision.

8.3.3. Provision for expenses

Provisions for expenses are allocated to past expenses (e.g.

(omitted repair expenses, maintenance expenses). Since they

If these are not permissible under tax law, a positive MWR (meaningful reversal) must be applied. For example, if in

The following repairs will be carried out next year (net cost: €10,000):

To make a booking:

7 Repair costs / 3 Provisions for repairs 10,000	MWR: +10,000
--------------------------------------------------	--------------

8.3.4. Provision for threatened losses

On November 28, 2000, we purchased several computers for a computer network in our Wirtschaftstreuhand-GmbH for €200,000 (plus 20% VAT). The delivery and Payment will be made in January 2001. A worldwide [event/situation] will take place at the end of December 2000. Price collapse in the computer market. The computers we bought are now only worth 70% of their original price. original purchase price value. Make any necessary bookings in the

November and December 2000 (excluding closing and opening entries)! (Based on *Blaich/Weilinger/Zehetner, Übungsbuch zur Rechnungslegung [1996/98], 31/I/1*).

Note: Since booking is only possible upon delivery, no booking will be made in November.

Provision for threatened losses:

December 31st: 770 impending losses from pending transactions	60,000	
307 Provision for impending losses from pending transactions		60,000

$$200,000 * 0.3 = 60,000$$

Note: See Section 198 Paragraph 8 Item 1 of the Austrian Commercial Code (UGB). Since a loss is imminent from this pending (i.e., not yet fulfilled) transaction due to the conclusion of the contract and the subsequent price decline, a provision must be made in the amount of the impairment.

The loss is thus recognized in the period in which it was economically incurred. This corresponds to the principle of imparity in realization. In the next period, this provision is to be used to cover the loss. Therefore, no loss is (presumably) to be reported in 2001.

9. Reserves

Reserves are **separately reported parts of equity** (see balance sheet structure).

Capital reserve (§ 229 para. 2 UGB)		Retained earnings (§ 229 para 3 UGB)	
unbound	bound	statutory	free
other Additional payments (§ 229 para. 2 no. 5 UGB)	a) Premium on the issuance of shares b) Agio, when issuing conversion and Option rights c) Co-payments from Shareholders for Granting a Preferred d) Amounts to be bound in the event of a capital reduction (§§ 185, 192 para. 5) AktG; § 59 GmbHG (§ 229 para. 5 UGB)	5% of the (around the (Loss carryforward reduced) Annual surplus until the total restricted reserves reach 10% (or more, see statutes) of the Nominal capital is reached (§ 229 para. 6 UGB)	
	together they form the: restricted reserve (§ 229 para 4 UGB as amended by AktRÄG 2009) ³⁷⁵ AG and large GmbH Dissolution only to offset a balance sheet loss that would otherwise have to be reported; the use of the statutory reserve is not precluded by the fact that free reserves exist which are designated to offset impairments and to cover other losses (§ 229 para 7 UGB) ³⁷⁶		
External financing		Internal financing	

Section 221 paragraph 5 of the Austrian Commercial Code (UGB) as amended by the Austrian Commercial Code Amendment Act 2016 (APRÄG 2016) expressly does not refer to Section 229 paragraphs 4-7 of the Austrian Commercial Code (UGB). Therefore, the provisions regarding the **restricted reserve** for registered **partnerships within the meaning of Section 189 paragraph 1 item 2 letters a and b of the Austrian Commercial Code (UGB) do not apply.**

³⁷⁵ Note on literature and case law research: Until the German Stock Corporation Act Amendment Act (AktRÄG 2009), the regulation was found in Section 130 of the German Stock Corporation Act (AktG), to which Section 23 of the German Limited Liability Companies Act (GmbHG) refers. Section 130 of the German Stock Corporation Act now governs the appointment of special auditors.

³⁷⁶ Until the AktRÄG 2009: Section 130 Paragraph 4 AktG.