

*The Fixed Asset Mountains*

*The Summit of Profit*

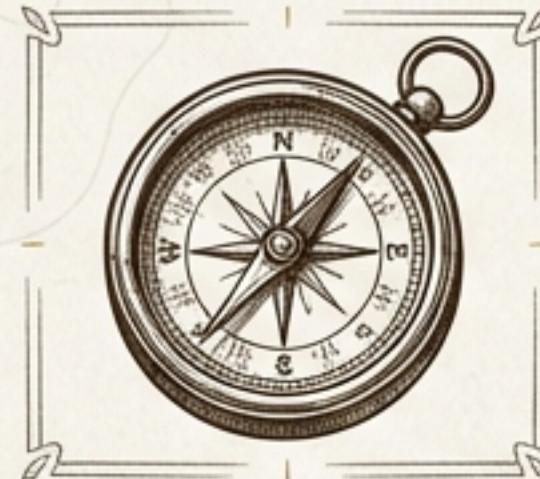
# Your Expedition to Financial Clarity

A Practical Guide to Austrian Small Business Accounting

*The Cashflow River*



# Your Expedition Itinerary



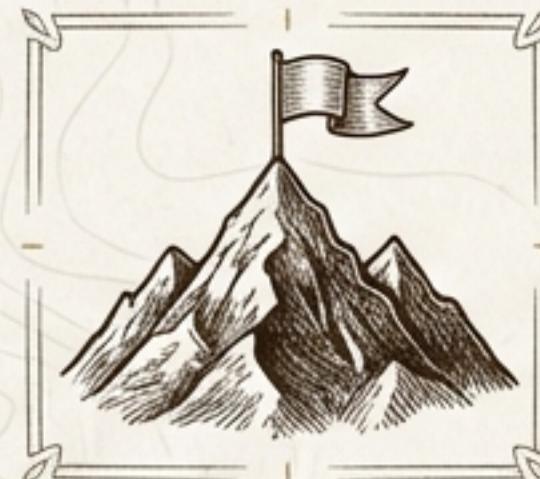
## Stage 1: The Expedition Starter Pack

Mastering the fundamental rules and principles.



## Stage 3: Mapping Your Treasures

Identifying and valuing your long-term assets.



## Stage 5: Reaching the Summit

Calculating your business's success.



## Stage 2: The Daily Log

Recording transactions with Cash-Basis Accounting.



## Stage 4: The Effects of Time

Understanding wear, tear, and depreciation



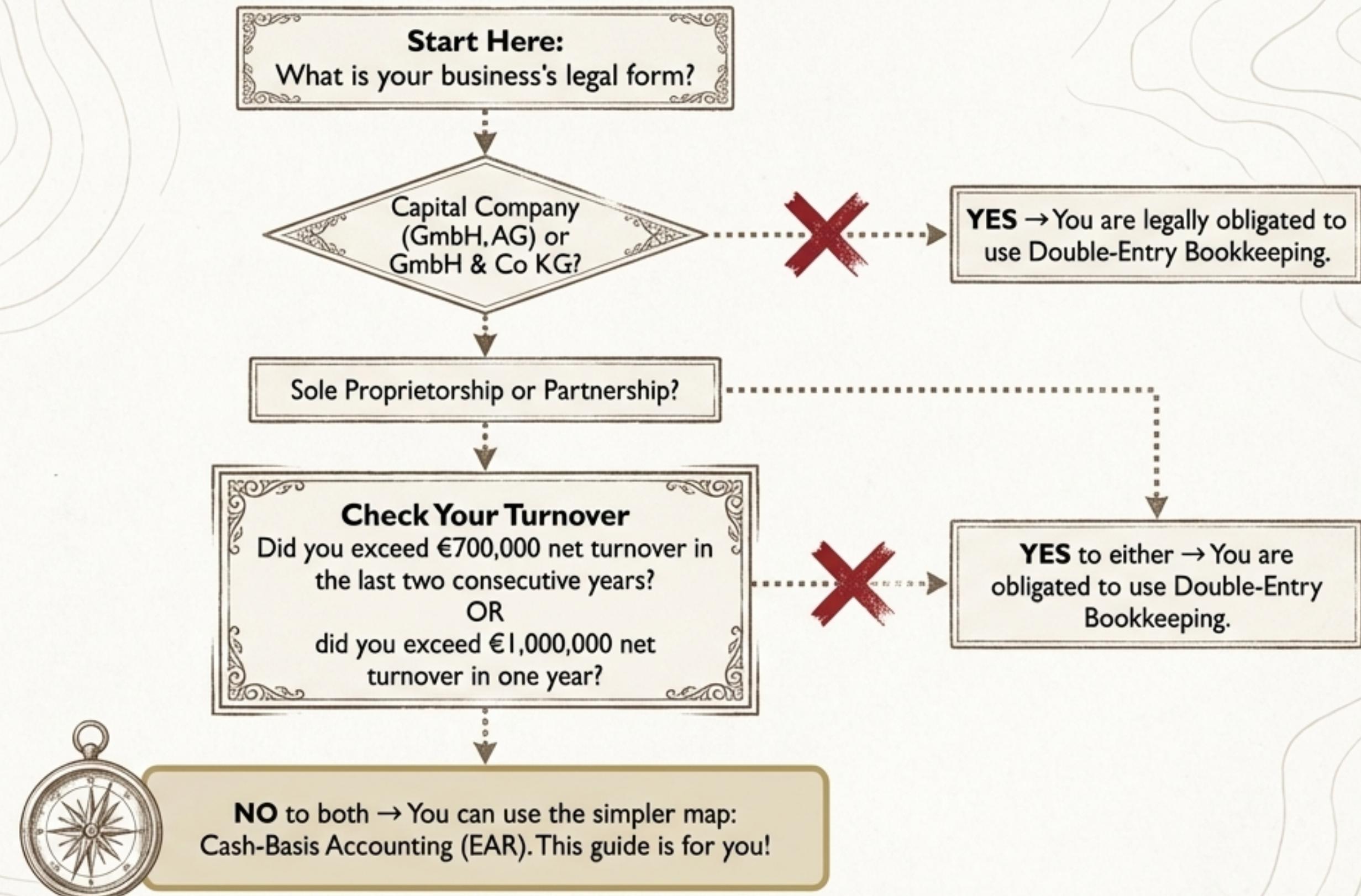
# The First Rule of Every Expedition: Document Everything

In accounting, this is the **Receipt Principle (Belegprinzip)**. Its golden rule is:  
**“No entry without a receipt!” (Keine Buchung ohne Beleg!)**



- **Incoming Invoice (E):** Bills from your suppliers.
- **Outgoing Invoice (A):** Bills you send to your customers.
- **Cash Receipt (K):** Proof of cash payments or income.
- **Bank Receipt (B):** Bank statements and transfer slips.
- **Other Receipt (S):** Credit card slips, internal memos, etc.

# Charting Your Legal Course: Which Rules Apply to You?





# Your Explorer's Logbook: Cash-Basis Accounting (EAR)

Imagine your business's bank account is your **backpack** for this expedition.



With Cash-Basis Accounting, you only write things down when you actually **put something in or take something out** of the backpack.

A promise to get a snack later doesn't count until the snack is actually in your hand and the money has left your pocket.

## Formal Definition

Cash-Basis Accounting (*Einnahmen-Ausgaben-Rechnung*) is a simplified system where income and expenses are recorded only when cash is actually received or paid.

## Who uses this method?

- ❖ **Sole proprietorships & partnerships** under the turnover thresholds.
- ❖ **Liberal professions** (doctors, lawyers, architects, photographers), regardless of turnover.

# How to Make an Entry in Your Logbook

Date	Document (Beleg)	Text	Income (Einnahmen)	Expenses (Ausgaben)	VAT (USt/VSt)	Categorization
 <b>Date</b> When the transaction happened.	 <b>Document (Beleg)</b> The reference number from your receipt (Rule #1!).	 <b>Text</b> A brief description (e.g., "Office Rent," "Client Payment").	 Money flowing IN.	 Money flowing OUT.	 The sales tax component, tracked separately.	 Sorting each entry into a specific 'bucket' (e.g., Personnel, Vehicle Costs, Repairs) to understand where money is coming from and going.

# A Page from a Real Explorer's Journal

Datum	Beleg	Text	Einnahmen (€)	Ausgaben (€)
03.03.	B20	Gehalt Februar		4.383,40
11.03.	B21	Miete Berger	2.200,80	
11.03.	K92	Reparatur Tür		144,00
20.03.	K93	Heizöl PKW		43,00
-----			€	-----

This is a cash outflow of €4,383.40, categorized under 'Personal' costs.

This is a cash inflow of €2.200,80. The income is categorized under 'Erlöse' (Revenues) and the VAT of €366.80 is recorded separately.

At the end of the period, you sum up each column to get a clear overview.



# Separating Your Supplies from Your Treasures

Not everything you buy for your business is an immediate “expense.” You need to separate everyday supplies from valuable, long-term equipment.

## Everyday Supplies (Operating Expenses)

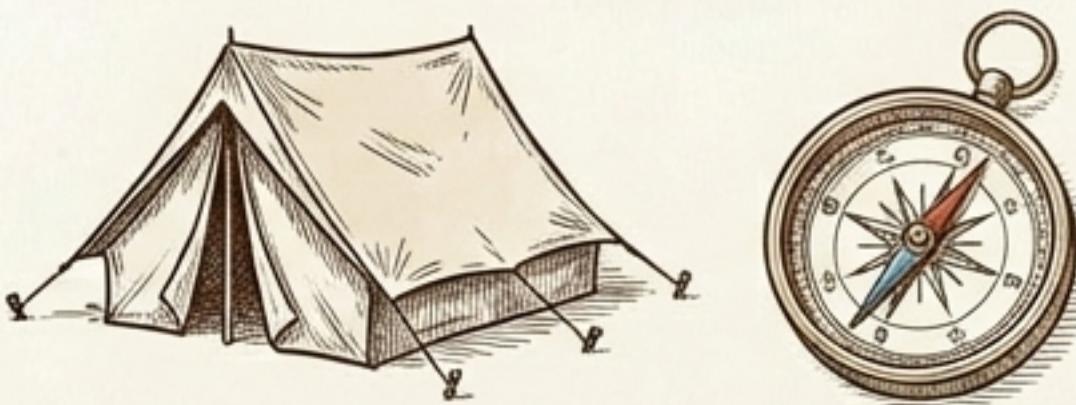


Items used up quickly (within a year). Their full cost is recorded as an expense right away.

Examples:

- ☞ Office supplies, coffee, fuel for a car.

## Long-Term Treasures (Assets)



Valuable items intended to be used for more than one year. Their cost is spread out over their useful life.

Examples:

- ☞ A company car, a computer, office furniture.

# The Treasure Map Shortcut: Low-Value Assets (GWG)



A **Low-Value Asset** (*Geringwertiges Wirtschaftsgut*) is a type of long-term asset that gets special treatment because of its low cost.

## The Rule

If an asset's net acquisition cost is **up to €1,000**, you can record its entire cost as a business expense in the year you buy it. No need to spread the cost over multiple years!

Think of a high-quality flashlight for your expedition. It's built to last for years, but it's not a huge investment. The GWG rule lets you treat it like an everyday supply for simplicity.



## Clear Example

Laptop costing €782.30 net:  
This is a **GWG**. The full €782.30  
is an expense this year.

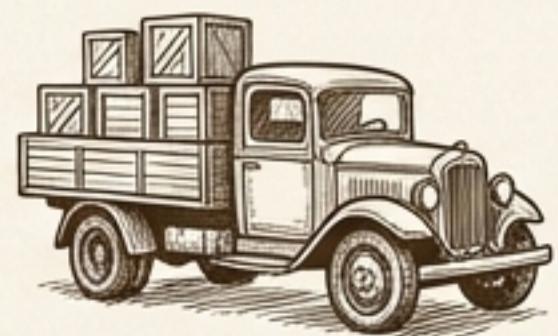
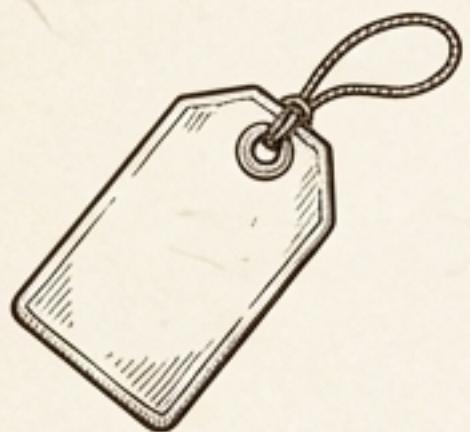


Desk combination costing €5,000 net:  
This is a **Fixed Asset**. Its cost must be  
spread out over its useful life.



# Calculating the True Value of Your Major Treasures

The starting value of a Fixed Asset isn't just its price tag. It's the total cost to get it ready for use. This is the **Acquisition Value (Anschaffungswert)**.



**Purchase Price  
(net)**

**Ancillary Costs**  
(e.g., transport, installation)

**Price Reductions**  
(e.g., discounts, rebates)

**Acquisition Value**

**Worked Example:** Let's calculate the value of a new machine.

Purchase Price:	€18,180.00
+ Freight Costs:	€1,220.00
+ Installation Costs:	€173.00
- Cash Discount Received:	€582.00
<b>Total Acquisition Value (Basis for Depreciation):</b>	<b>€18,991.80</b>



# The Journey Takes its Toll: Understanding Depreciation (AfA)



BRAND NEW



AFTER 1 YEAR

Your sturdy tent was brand new on day one. After a year of adventures, it has a few scuffs and a small patch. It's still a great tent, but it's not worth what you paid for it. This gradual loss in value from use and time is **Depreciation**.

**Formal Definition:** Depreciation (*Absetzung für Abnutzung*, AfA) is the accounting process of systematically spreading the cost of an asset over its useful life.

For your business, the annual depreciation amount is a **tax-deductible operating expense**, even though no cash leaves your pocket that year.

# The Straight Path: Calculating Linear Depreciation

The most common method is linear depreciation, which spreads the cost evenly over the asset's life.

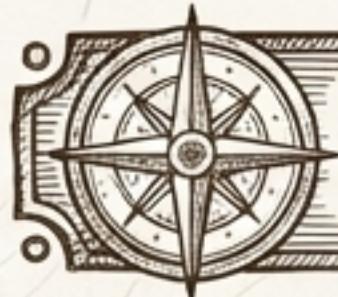
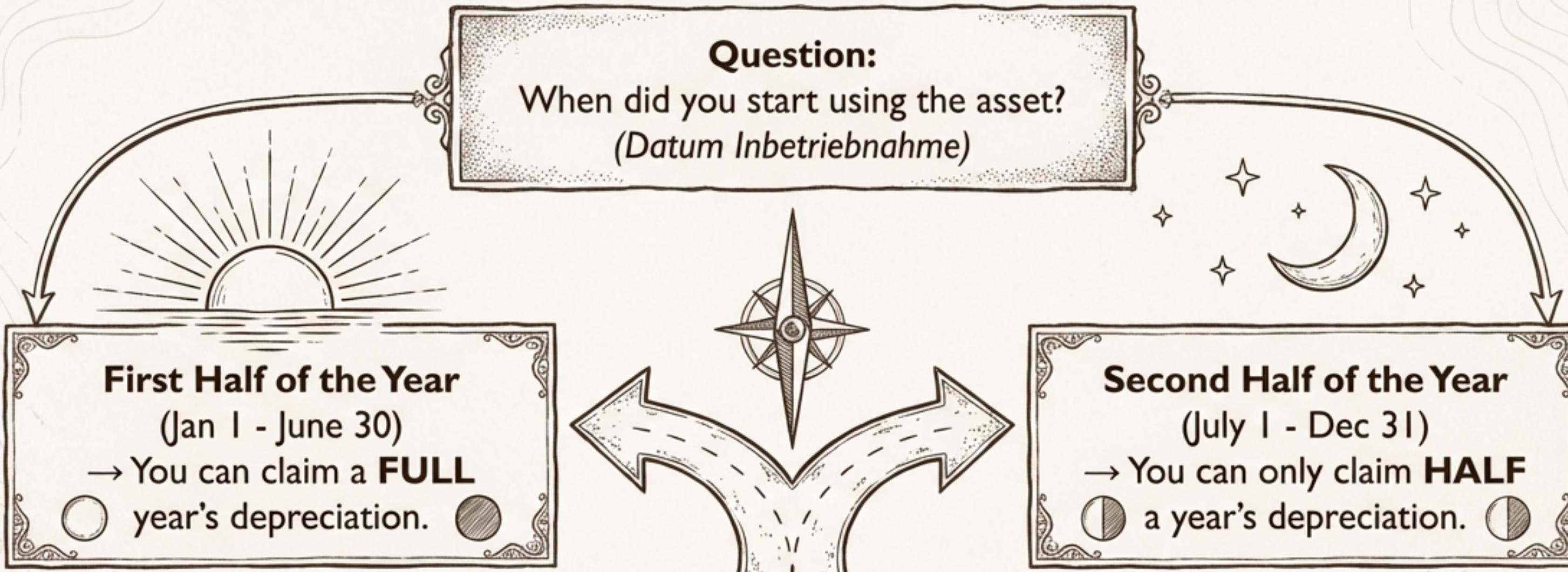
$$\text{Annual Depreciation} = \frac{\text{Acquisition Value}}{\text{Useful Life (in years)}}$$

Example: An asset with an Acquisition Value of €10,000 and a 10-year useful life has an annual depreciation of €1,000. ( $\text{€10,000} / 10 \text{ years} = \text{€1,000/year}$ ).

Item	Useful Life
Cars & Combis	8 years
Office Equipment	5-8 years
Operating Equipment	10 years
EDP Systems / Software	3-5 years
Buildings	40 years

# The First Step on the Path: The Half-Year Rule (Halbjahresregel)

For the very first year you use an asset, a special rule applies to simplify the calculation.



**Important Note:** The other half from the second-half-of-the-year scenario isn't lost! It's added on at the very end of the asset's life.



# Tracking an Asset's Value Over Its Entire Journey

Asset: Desk | Acquisition Value: €10,000 | Useful Life: 10 years | Put in Service: November 21, 2023

Year	Book Value (Start of Year)	Depreciation Amount	Book Value (End of Year)
2023	€10,000	€500	€9,500
2024	€9,500	€1,000	€8,500
...	...	...	...
2032	€1,500	€1,000	€500
2033	€500	€499	€1

Only €500 in the first year because of the **Half-Year Rule**

The asset is kept on the books with a **€1 Token Value (Erinnerungseurowert)**. This reminds you that the business still owns and uses it, even though it's fully depreciated.

# Your Official Treasure Inventory: The Fixed Asset Register

The Fixed Asset Register (*Anlagenverzeichnis*) is the master list that tracks every single fixed asset your business owns. It's essential for calculating total depreciation and for tax purposes.

Inv. Nr.	Item	Acq. Date	Acq. Value	In Service	Useful Life	Depr. %	Depr. Amount	Year-End Book Value
I	Tisch	20.11.23	€10,000	21.11.23	10	10%	€500	€9,500
70	Kasse	04/23	€1,800	04/23	5	20%	€360	€1,440
71	Notebook	05/23	€1,200	05/23	4	25%	€300	€900

This register provides a complete history and current status for every significant piece of equipment you own.



# Reaching the Summit: Was the Expedition a Success?

At the end of the year, did your business make a profit or a loss?

**The Summit Formula:**  
**Total Operating Income**  
- **Total Operating Expenses**  
**= Profit / Loss**

## Putting It All Together (Example)

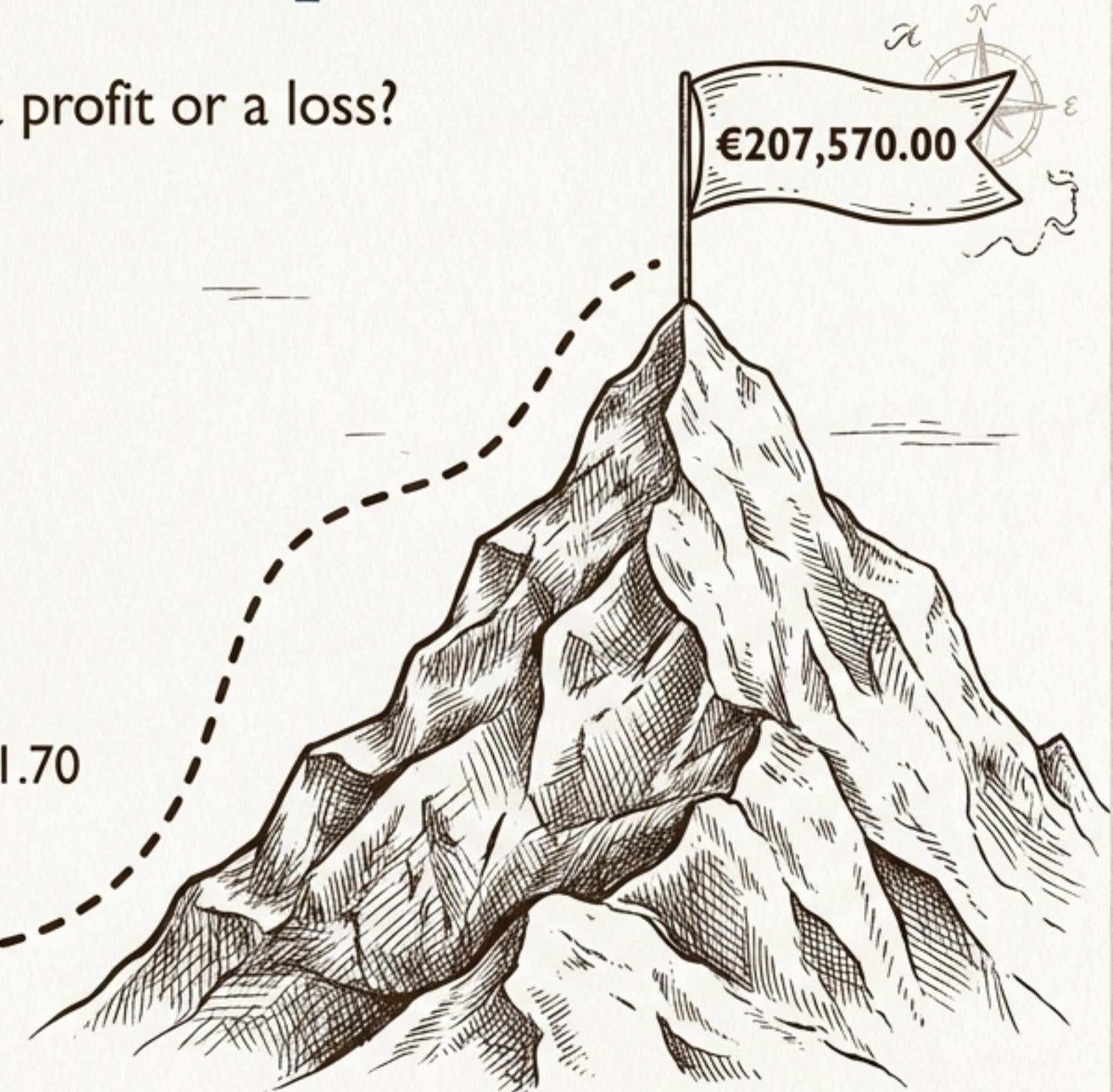
Total Operating Income: €304,779.80

MINUS Operating Expenses (salaries, rent, etc.): €90,271.70

MINUS Depreciation (incl. GWG): €6,928.10

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**EQUALS Profit for the Year: €207,570.00**



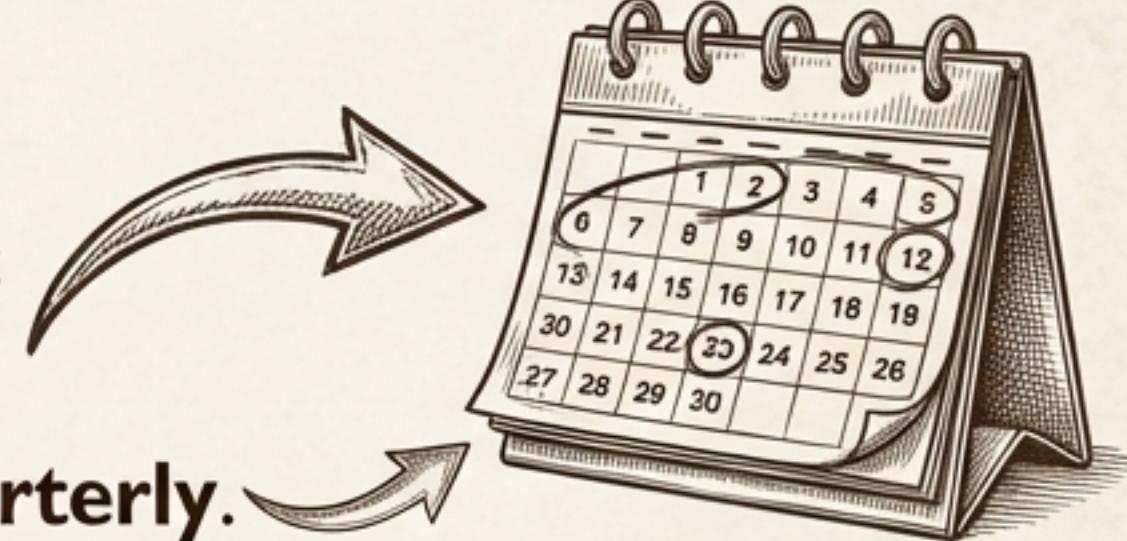
# Reporting Back to Base Camp: A Note on VAT



Throughout your journey, you collect VAT (*Umsatzsteuer*) from customers and pay input tax (*Vormorsteuer*) to suppliers. You must periodically report this the difference to the tax authorities.

This is done via the VAT Pre-Notification (*Umsatzsteuervoranmeldung*, UVA).

- **Your Reporting Frequency Depends on Turnover:**
  - **> €100,000/year:** You must report **monthly**.
  - **€30,000 - €100,000/year:** You must report **quarterly**.
  - **< €30,000/year:** Generally no periodic UVA, but an annual declaration is still required.



# Your Field Guide is Complete. The Journey Continues.

You now have the map and the tools to navigate the financial landscape of your business. This guide has equipped you with the core principles for achieving financial clarity and compliance.



**Document Everything**  
(Belegprinzip)



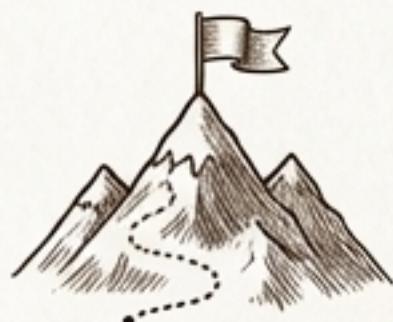
**Track Your Cash Flow**  
(Zufluss-Abfluss-Prinzip)



**Know Your Assets**  
(Anlagevermögen)



**Account for Time**  
(Abschreibung)



**Measure Your Success**  
(Erfolgsermittlung)