

Postgraduate Certificate in German Commercial Code Accounting

# Financial Reporting Requirements

## Financial Reporting Requirements in German HGB Accounting

Financial reporting is a crucial aspect of accounting that involves communicating the financial performance and position of an entity to various stakeholders. In the context of German accounting, the Handelsgesetzbuch (HGB) sets out specific requirements for financial reporting, which differ from International Financial Reporting Standards (IFRS) used in many other countries. Understanding the key terms and vocabulary related to financial reporting requirements in German HGB accounting is essential for professionals working in Germany or with German-based entities. This guide will provide a detailed explanation of important terms and concepts in this field.

1. **Handelsgesetzbuch (HGB)**: The HGB is the German Commercial Code that regulates accounting and financial reporting for companies operating in Germany. It sets out the legal framework for financial reporting requirements, including the format of financial statements, disclosure requirements, and accounting principles to be followed.
2. **Jahresabschluss**: The Jahresabschluss refers to the annual financial statements prepared by a company in accordance with the HGB. It consists of the balance sheet (Bilanz), income statement (Gewinn- und Verlustrechnung), cash flow statement (Kapitalflussrechnung), and notes to the financial statements (Anhang).
3. **Bilanz**: The Bilanz is the balance sheet, which presents the financial position of a company at a specific point in time. It includes assets (Aktiva), liabilities (Passiva), and equity (Eigenkapital). The Bilanz is prepared according to the principle of true and fair view (Grundsatz der Bilanzwahrheit).
4. **Aktiva**: Aktiva are the assets of a company, which represent the resources owned or controlled by the entity. Aktiva are classified into current assets (Umlaufvermögen) and non-current assets (Anlagevermögen).
5. **Passiva**: Passiva are the liabilities of a company, which represent the obligations or debts owed by the entity. Passiva are classified into current liabilities (Kurzfristige Verbindlichkeiten) and non-current liabilities (Langfristige Verbindlichkeiten).
6. **Eigenkapital**: Eigenkapital is the equity of a company, which represents the ownership interest of the shareholders. Eigenkapital is calculated as total assets minus total liabilities and is shown in the balance sheet as Eigenkapital or Gesamtkapital.
7. **Gewinn- und Verlustrechnung (GuV)**: The Gewinn- und Verlustrechnung is the income statement, which shows the financial performance of a company over a specific period. It includes revenues

(Umsatzerlöse), expenses (Aufwendungen), and the resulting profit or loss.

8. **Umsatzerlöse**: Umsatzerlöse are revenues or sales generated by a company from its primary business activities. They are reported in the income statement and represent the total income earned by the company before deducting expenses.

9. **Aufwendungen**: Aufwendungen are expenses incurred by a company in the process of generating revenue. They include costs such as salaries, rent, utilities, and other operating expenses. Aufwendungen are deducted from revenues to calculate the profit or loss.

10. **Kapitalflussrechnung**: The Kapitalflussrechnung is the cash flow statement, which shows the cash inflows and outflows of a company during a specific period. It helps to assess the liquidity and financial health of the business.

11. **Anhang**: The Anhang is the notes to the financial statements, which provide additional information and explanations to the numbers reported in the annual report. The Anhang includes details on accounting policies, significant accounting estimates, and other relevant disclosures.

12. **GoB (Grundsätze ordnungsmäßiger Buchführung)**: The GoB are the principles of proper accounting, which guide the preparation of financial statements in accordance with the HGB. They ensure that financial reporting is accurate, transparent, and consistent.

13. **GoB-Grundsätze**: The GoB-Grundsätze are specific principles of proper accounting that must be followed in German HGB accounting. They include the principle of clarity, the principle of completeness, the principle of consistency, and the principle of prudence.

14. **Konzernabschluss**: The Konzernabschluss is the consolidated financial statements of a group of companies, which are prepared in accordance with the HGB for the parent company and its subsidiaries. The Konzernabschluss includes the consolidated balance sheet, income statement, and cash flow statement.

15. **Konzernrechnungslegung**: The Konzernrechnungslegung is the consolidation accounting process that combines the financial statements of the parent company and its subsidiaries to create a single set of consolidated financial statements. It involves eliminating intercompany transactions and balances to present a true picture of the group's financial position and performance.

16. **Konzernbilanz**: The Konzernbilanz is the consolidated balance sheet of a group of companies, which shows the combined financial position of the parent company and its subsidiaries. It includes the assets, liabilities, and equity of the entire group.

17. **Konzern-GuV**: The Konzern-GuV is the consolidated income statement of a group of companies, which shows the combined financial performance of the parent company and its subsidiaries. It includes the revenues, expenses, and profit or loss of the entire group.

18. **Konzern-Kapitalflussrechnung**: The Konzern-Kapitalflussrechnung is the consolidated cash flow statement of a group of companies, which shows the combined cash inflows and outflows of the parent company and its subsidiaries. It helps to assess the cash flow position and liquidity of the entire group.
19. **HGB-Abschlussprüfung**: The HGB-Abschlussprüfung is the audit of financial statements prepared in accordance with the HGB by a qualified auditor. The audit ensures the accuracy and reliability of the financial information presented in the annual report.
20. **Abschlussprüfer**: The Abschlussprüfer is the auditor or auditing firm responsible for conducting the audit of financial statements in accordance with the HGB. The Abschlussprüfer must be independent and objective in performing the audit.
21. **Prüfungsbericht**: The Prüfungsbericht is the audit report issued by the Abschlussprüfer upon completion of the audit of financial statements. The Prüfungsbericht provides an opinion on the fairness and compliance of the financial statements with the HGB.
22. **Bestätigungsvermerk**: The Bestätigungsvermerk is the auditor's opinion or certification included in the audit report, which confirms that the financial statements present a true and fair view in accordance with the HGB. The Bestätigungsvermerk is a critical component of the audit report.
23. **Going-Concern-Prinzip**: The Going-Concern-Prinzip is the principle that assumes a company will continue to operate in the foreseeable future and will not be liquidated or forced to cease operations. The Going-Concern-Prinzip influences the preparation of financial statements and the assessment of assets and liabilities.
24. **Imparitätsprinzip**: The Imparitätsprinzip is the principle of prudence, which requires that assets are not overstated and liabilities are not understated in the financial statements. The Imparitätsprinzip aims to ensure that financial reporting is conservative and avoids overstating profits or assets.
25. **Stichtagsprinzip**: The Stichtagsprinzip is the principle that financial transactions are recorded based on their occurrence at a specific point in time, known as the reporting date or balance sheet date. The Stichtagsprinzip ensures that financial statements reflect the financial position of the company at a specific moment.
26. **Historische Kostenprinzip**: The Historische Kostenprinzip is the principle that assets and liabilities are initially recorded at their historical cost, which is the amount paid or received at the time of acquisition. The Historische Kostenprinzip is a fundamental accounting principle in German HGB accounting.
27. **Fortführungswertprinzip**: The Fortführungswertprinzip is the principle that assets are valued at their going-concern value, which is the amount the assets would be worth if the company continues to operate. The Fortführungswertprinzip is used to assess the recoverable amount of assets in the balance sheet.
28. **True and Fair View**: The True and Fair View is the overarching principle that financial statements

should present a true and fair view of the financial position and performance of a company. The True and Fair View principle is a fundamental concept in financial reporting requirements in German HGB accounting.

29. **\*\*Latente Steuern\*\***: Latente Steuern are deferred taxes that arise from temporary differences between accounting profit and taxable profit. Latente Steuern are recognized in the financial statements to reflect the future tax consequences of these temporary differences.

30. **\*\*Kapitalgesellschaft\*\***: A Kapitalgesellschaft is a corporation or limited liability company (GmbH) in Germany, which is a legal entity separate from its owners. Kapitalgesellschaften are required to prepare and publish annual financial statements in accordance with the HGB.

31. **\*\*Personengesellschaft\*\***: A Personengesellschaft is a partnership or sole proprietorship in Germany, where the business is owned and operated by one or more individuals. Personengesellschaften are subject to different accounting and reporting requirements compared to Kapitalgesellschaften under the HGB.

32. **\*\*Kleinstkapitalgesellschaft\*\***: A Kleinstkapitalgesellschaft is a small corporation in Germany that meets certain criteria for size and complexity. Kleinstkapitalgesellschaften are eligible for simplified financial reporting requirements under the HGB, including exemptions from certain disclosure obligations.

33. **\*\*Mittelgroße Kapitalgesellschaft\*\***: A Mittelgroße Kapitalgesellschaft is a medium-sized corporation in Germany that falls between small and large companies in terms of size and complexity. Mittelgroße Kapitalgesellschaften have specific financial reporting requirements under the HGB.

34. **\*\*Großkapitalgesellschaft\*\***: A Großkapitalgesellschaft is a large corporation in Germany that exceeds certain thresholds for size and complexity. Großkapitalgesellschaften are subject to more stringent financial reporting requirements under the HGB, including the preparation of consolidated financial statements.

35. **\*\*Kostenrechnung\*\***: Kostenrechnung is cost accounting, which involves the process of collecting, analyzing, and allocating costs to products, services, or activities within a company. Kostenrechnung is an essential tool for management decision-making and performance evaluation.

36. **\*\*Kostenartenrechnung\*\***: Kostenartenrechnung is the classification of costs into different categories based on their nature or characteristics. Kostenartenrechnung helps to identify and analyze the types of costs incurred by a company, such as material costs, labor costs, and overhead costs.

37. **\*\*Kostenstellenrechnung\*\***: Kostenstellenrechnung is the allocation of costs to specific cost centers or departments within a company. Kostenstellenrechnung helps to track and control costs at the individual level, allowing for better cost management and performance evaluation.

38. **\*\*Kostenträgerrechnung\*\***: Kostenträgerrechnung is the assignment of costs to specific cost objects or products within a company. Kostenträgerrechnung helps to calculate the cost of producing goods or services and determine the profitability of each product line or service offering.

39. **Break-Even-Analyse**: Break-Even-Analyse is a financial analysis technique that calculates the point at which total revenues equal total costs, resulting in zero profit or loss. The Break-Even-Analyse helps companies determine the level of sales needed to cover all costs and achieve profitability.
40. **Deckungsbeitragsrechnung**: Deckungsbeitragsrechnung is a contribution margin analysis that calculates the difference between revenues and variable costs for each product or service. The Deckungsbeitragsrechnung helps companies assess the profitability of individual products and make pricing decisions.
41. **Vollkostenrechnung**: Vollkostenrechnung is full costing, which involves allocating all costs, including direct and indirect costs, to products or services. Vollkostenrechnung provides a comprehensive view of the total cost of production and helps companies set prices and make strategic decisions.
42. **Teilkostenrechnung**: Teilkostenrechnung is partial costing, which only considers variable costs or direct costs when allocating costs to products or services. Teilkostenrechnung focuses on the costs that vary with production volume and helps companies assess the profitability of individual products.
43. **Plankostenrechnung**: Plankostenrechnung is standard costing, which involves setting predetermined costs for products or services based on expected levels of performance. Plankostenrechnung helps companies establish cost benchmarks, monitor variances, and improve cost control.
44. **Prozesskostenrechnung**: Prozesskostenrechnung is process costing, which allocates costs to products or services based on the activities or processes involved in production. Prozesskostenrechnung helps companies identify cost drivers, improve process efficiency, and reduce costs.
45. **Wertorientierte Kennzahlen**: Wertorientierte Kennzahlen are value-based performance measures that focus on maximizing shareholder value and long-term profitability. Wertorientierte Kennzahlen include metrics such as Economic Value Added (EVA), Return on Investment (ROI), and Return on Equity (ROE).
46. **Betriebswirtschaftliche Auswertung (BWA)**: The Betriebswirtschaftliche Auswertung is a business management report that provides an overview of a company's financial performance and key performance indicators. The BWA helps management monitor and analyze the company's operations on a regular basis.
47. **Liquiditätsplanung**: Liquiditätsplanung is cash flow planning, which involves forecasting the inflows and outflows of cash to ensure that a company has sufficient liquidity to meet its financial obligations. Liquiditätsplanung is essential for managing working capital and avoiding cash flow problems.
48. **Kapitalflussrechnung (indirekte Methode)**: The Kapitalflussrechnung prepared using the indirect method starts with the net income and adjusts for non-cash expenses, changes in working capital, and other items to calculate the net cash flow from operating activities. The indirect method is commonly used in financial reporting to reconcile net income to cash flow from operations.
49. **Kapitalflussrechnung (direkte Methode)**: The Kapitalflussrechnung prepared using the direct method

directly reports the cash inflows and outflows from operating activities, such as cash receipts from customers and cash payments to suppliers. The direct method provides a more detailed view of cash flow from operations compared to the indirect method.

50. **\*\*Kapitalflussrechnung (Free Cash Flow)\*\***: The Free Cash Flow is a measure of a company's ability to generate cash after accounting for capital expenditures necessary to maintain or expand its asset base. The Free Cash Flow is calculated as operating cash flow minus capital expenditures and is used to assess a company's financial health and investment potential.

In conclusion, financial reporting requirements in German HGB accounting encompass a wide range of terms and concepts that are essential for professionals working in Germany or with German-based entities. Understanding the key vocabulary related to financial statements, accounting principles, audit procedures, and cost accounting techniques is crucial for ensuring compliance with the HGB and providing transparent and accurate financial information to stakeholders. By familiarizing themselves with these important terms and concepts, accounting professionals can navigate the complexities of German HGB accounting and contribute to the success of their organizations.