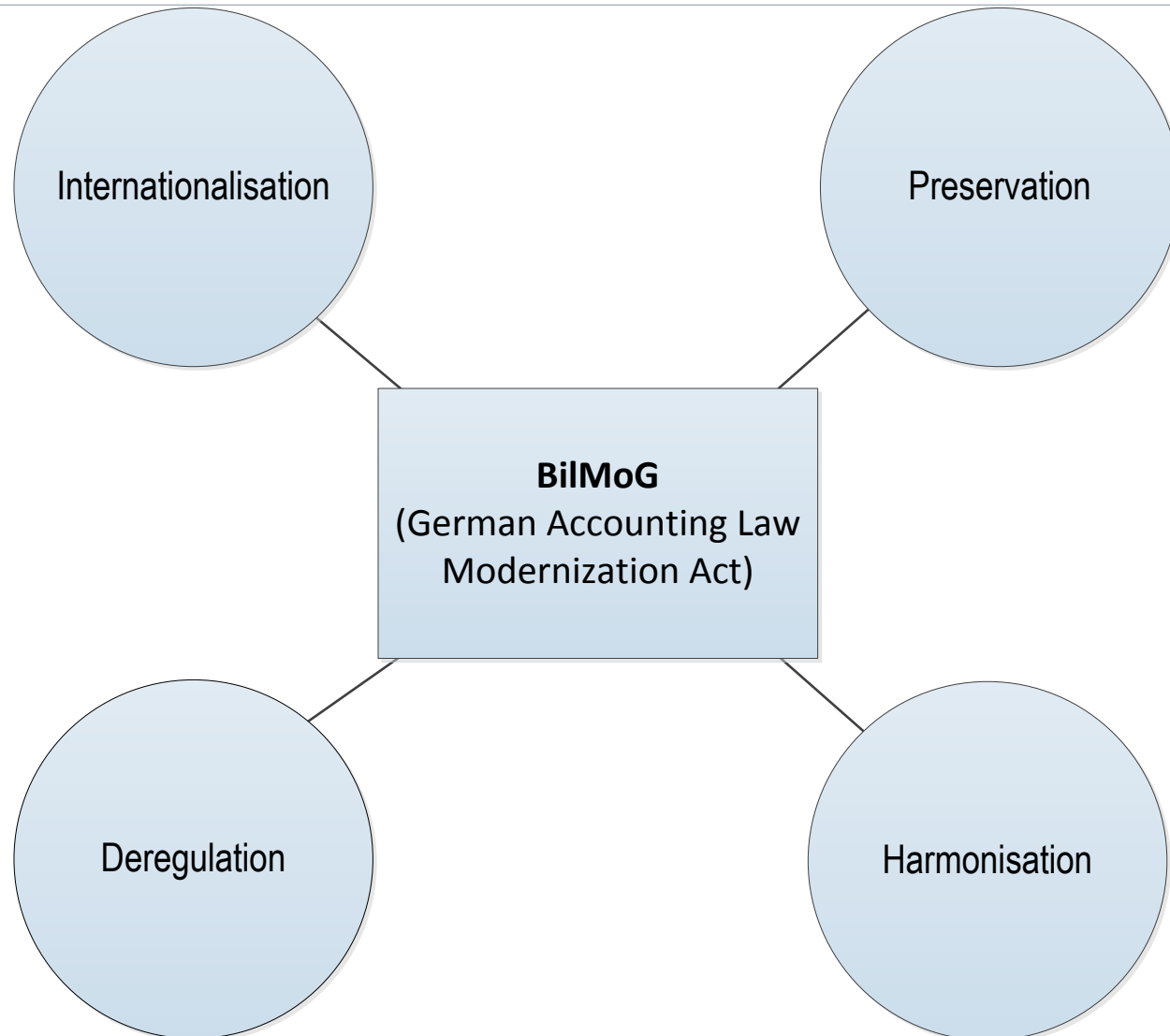
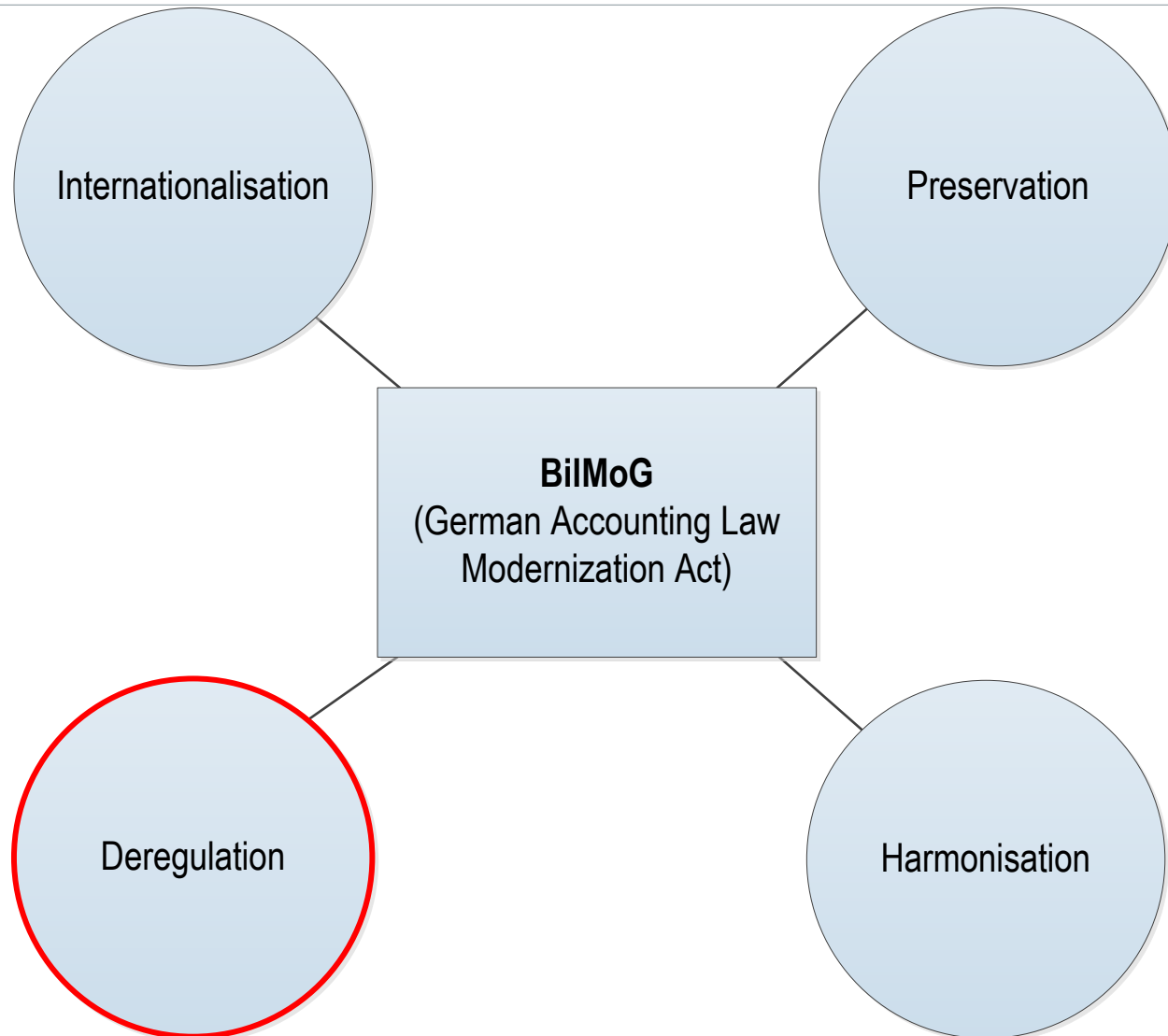


Reasons for not claiming § 241a German GAAP (HGB)
in conjunction with § 242 (4) German GAAP (HGB)
(Work in progress)

Dipl.-Kfm. Christian Horn
Prof. Dr. Peter Lorson





HGB Section

Content

241a

The legislation exempts sole proprietors from the requirement of keeping books and preparing financial statements if the net income does not exceed € 50.000 and sales revenues do not exceed € 500.000 on the balance sheet dates of two consecutive business years. For newly formed entities, the legal consequences already apply if the thresholds are not exceeded on the first reporting date after incorporation.

242 (4)

Under commercial law, such sole proprietors are not required to prepare financial statements, comprising balance sheet and income statement.



1. Introduction
2. Objective
3. State of research
4. Methods
5. Results and Findings



2. Objective

Research question

- Do these sole proprietors need structured information, such as annual financial statements, besides any legal requirement?

Objective

- Decision support for sole proprietors, whether annual financial statements are still necessary

3. State of research

HGB –
considering BilMoG

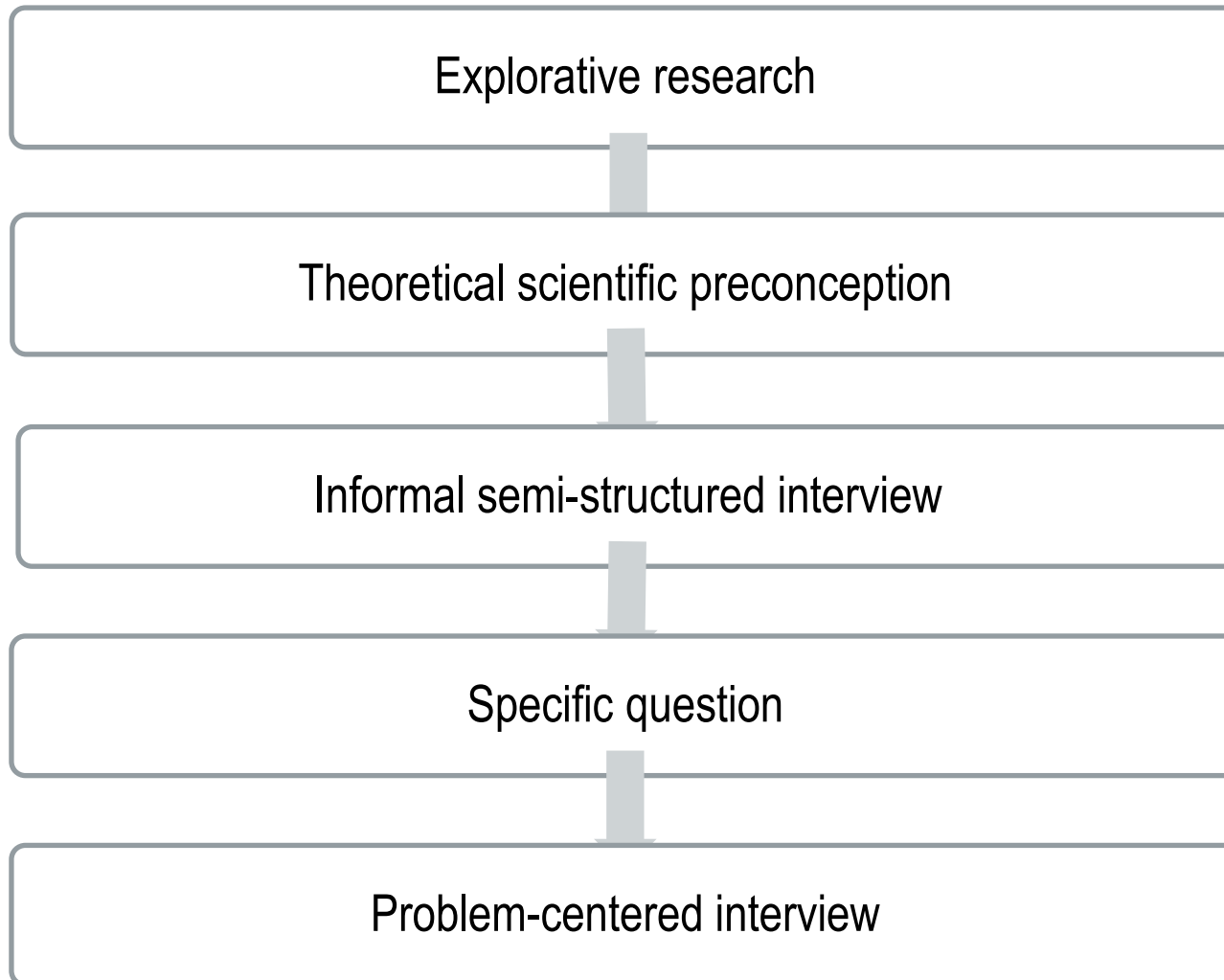
International accounting
standards

One quantitative study –
BilMoG and the needs of
addressees

Only the audit of annual
financial statements and
the use of the
simplification of the IFRS
for SME

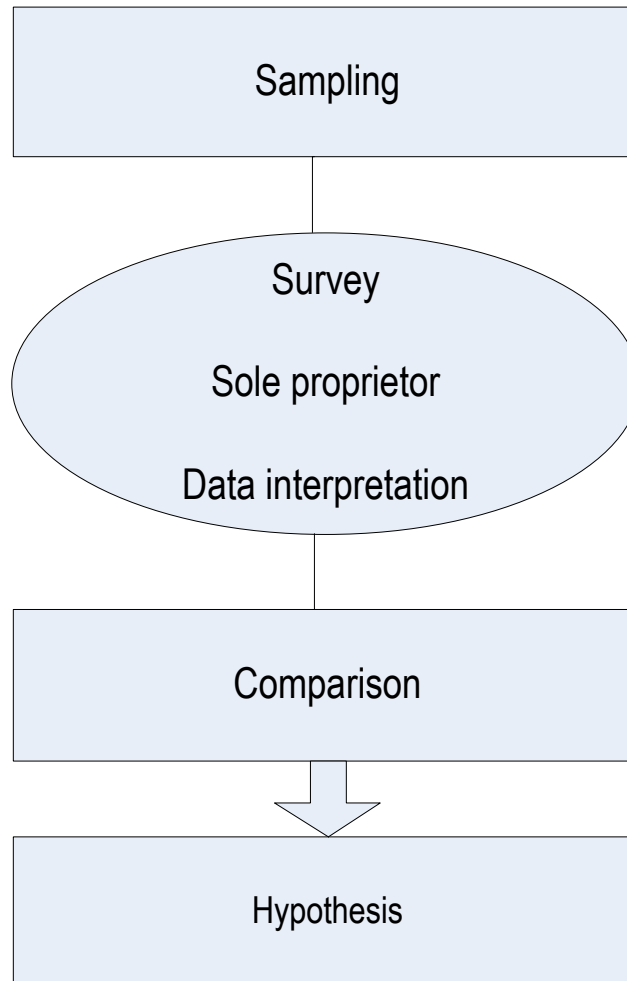
There is no research which asks:

- (1) sole proprietors about their reasons for preparing annual financial statements?
- (2) whether there is really a simplification for the sole proprietor through the amendment?

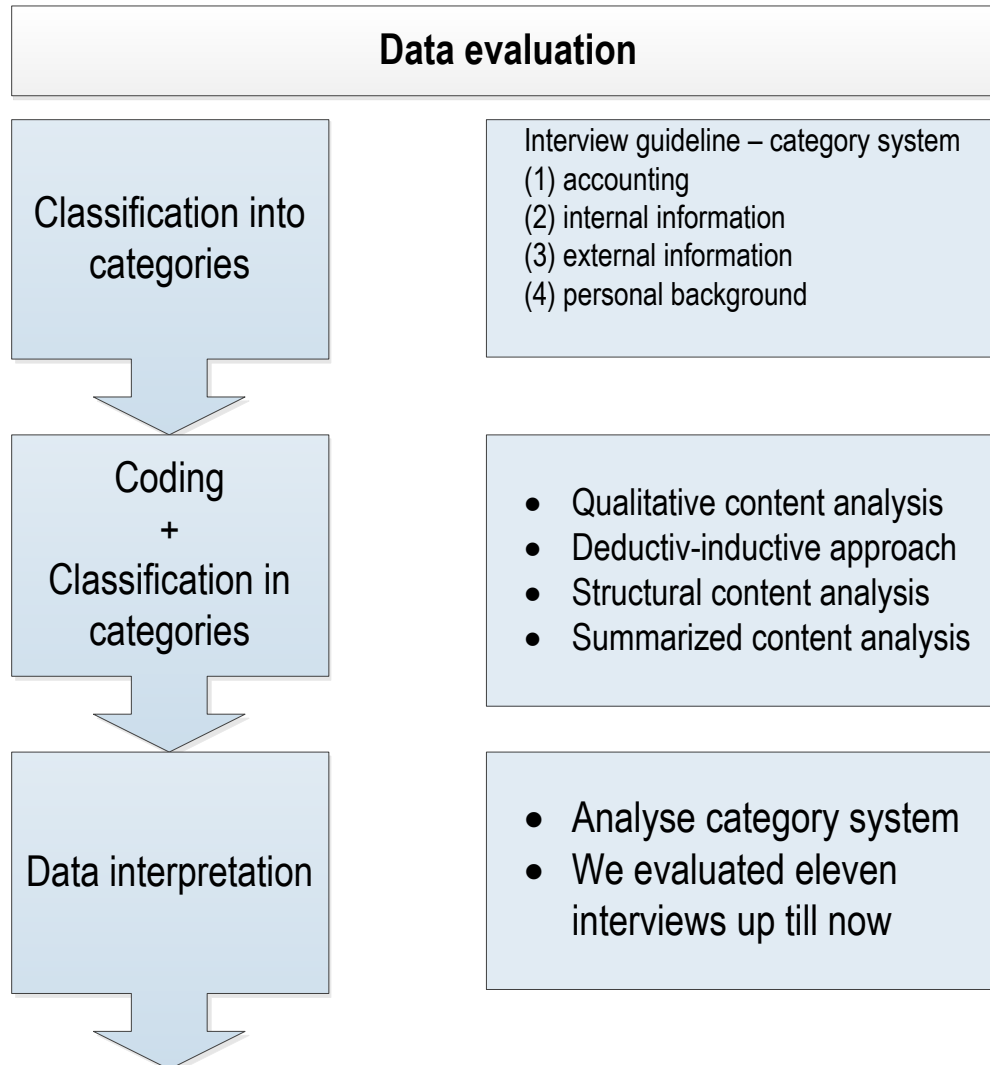


4. Methods

research method



4. Methods



5. Results and findings

Category	Subcategory	Interpretation	Typical example
External Information (financial statement)	Banks	<ul style="list-style-type: none"> • Can be confirmed as external addressee • Based on data of past annual financial statements – banks determined the conditions of the loans 	<p>P 2: „(...) then the banks would say: Show us your balance sheets.“ (Interview 2, paragraph nr. 88 and following)</p> <p>P 6: „(...) we had to go to the bank in the beginning of the year 2009 to receive a loan to support our company during spring. In order to receive the loan I had to hand in the annual financial statements of the years 2005, 2006, 2007 and for 2008 as well. I also had to hand in a prepared prediction for the years 2009 and 2010.“ (Interview 6, paragraph nr. 104 and following)</p>

5. Results and findings

Category	Subcategory	Interpretation	Typical example
Internal Information (financial statement)	Planning	<ul style="list-style-type: none"> • The internal use of annual financial statement data reveals a non-uniform picture • the interviews show, that the annual surplus is just important for a few merchants • We assume that the net income method has an equal quality for planing porposes etc. 	<p>P 7: "The calculation of the monthly surplus reveals my financial options for the next month. The annual financial statement shows the total volume of my sales, the amount of profit and loss. This is important for my next planning, what I have to do next year for tax allowances and appropriate investments." (Interview 7, paragraph number 108 following)</p> <p>P 4: "Yes, of course. You are able to see, whether it was a good, bad or ordinary financial year. Because of the sales figures I know: Ok; I could do a lot more, I could afford another employee. This could actually be an expression of a very good tax counselor in October: You should invest your money! [...], because otherwise you would reach a higher profit zone and then you have to pay a lot more taxes. Then you start buying equipment, vehicles - although it seems to be silly afterwards, because you will have your 4 to 5 years depreciation – but nevertheless you spent money in this moment. This is always important." (Interview 4, paragraph number 38 following)</p>

5. Results and findings

Category	Subcategory	Interpretation
Tax counselor	Nonexistent	<ul style="list-style-type: none"> • The tax counselor has a major influence • Only two of the interviewed merchants were informed about sec. 241a HGB by their tax counselor • It seems that there is an information asymmetry between tax counselors and merchants



5. Results and findings

Thank you for your attention