



# Breakout No. 1

# Basic terms of accounting

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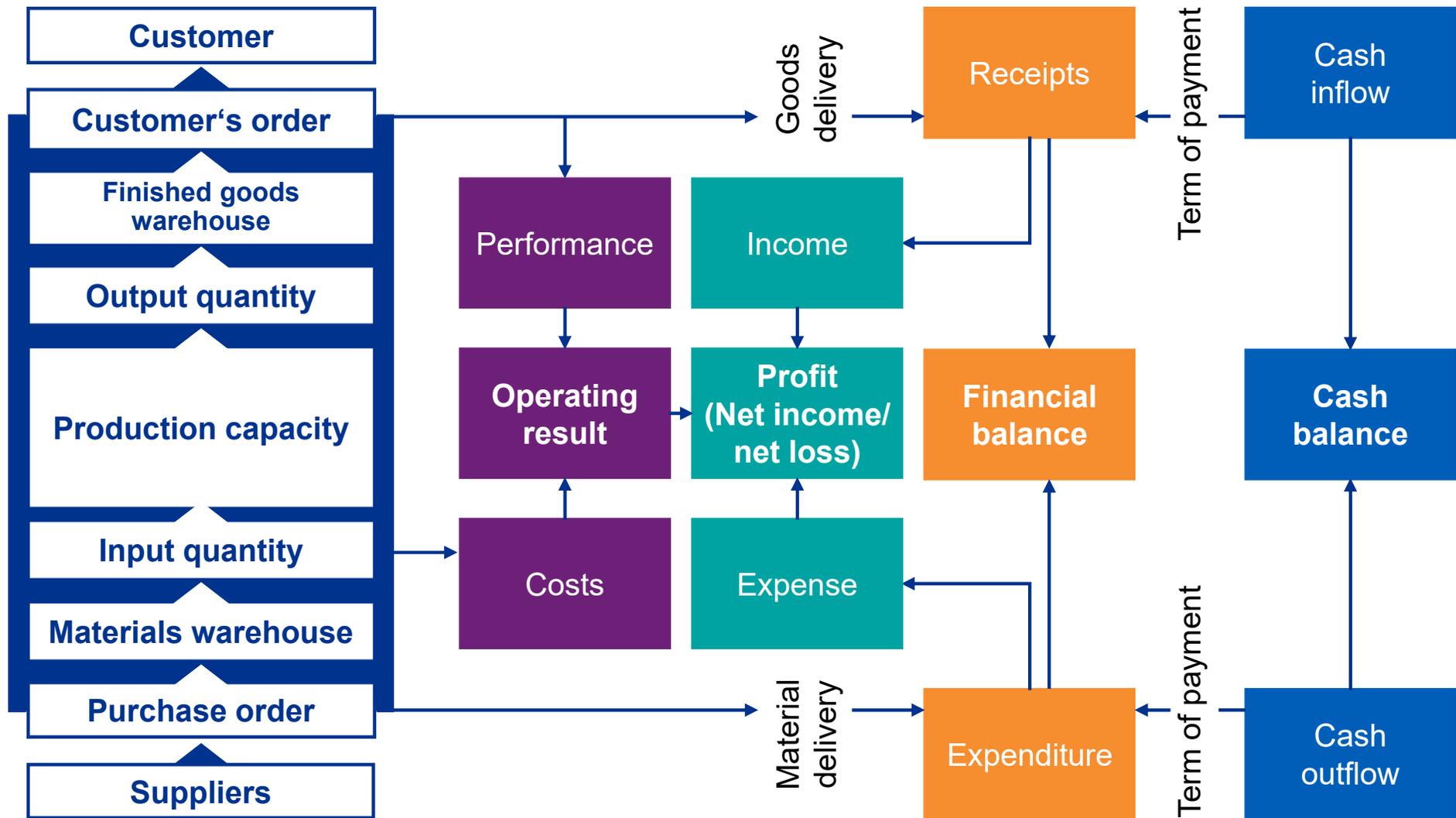
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Winter term 2025/2026



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## 2 Basic terms of accounting

# Accounting and company processes



## 2 Basic terms of accounting

# Central questions of the stakeholders

Types of accounting	Flow values	Level of information	Central questions
Financial planning	+ Cash inflows - Cash outflows	Increase and decrease of cash and cash equivalents of the period	Is the future solvency secured?
Investment planning	+ Cash inflows - Cash outflows	Present value	Are the planned or realized investments profitable?
Financial accounting	+ Income - Expenses	Changes in net assets of the period	How successful has the company performed within the last period
Cost- (and performance) accounting	+ Performance - Costs	Operating profit	How beneficial are individual measures in the short-run?



Cash outflow	▶ Cash and cash equivalents that are spent by the company within a period. Every cash outflow decreases the amount of cash on hand and cash in banks. (= total of cash and cash equivalents).
Cash inflow	▶ Cash and cash equivalents that flow directly to the company within a period. Every cash inflow increases the amount of cash on hand and cash in banks.
Expenditure	▶ Monetary value of a company's acquired economic goods <sup>(a)</sup> within a period. Regardless whether the cash outflows are made in the previous or following years.
Receipts	▶ Monetary value of a company's delivered economic goods <sup>(a)</sup> within a period. Regardless whether the cash inflows are made in the previous or following years.
Expense	▶ Expenses are expenditures periodised and net income affecting. The period expense equals the amount of all consumed respectively used economic goods within that period.
Income	▶ Income are receipts periodised and net income affecting. The period income equals the amount of the realized increase in value within that period.
Cost	▶ Monetarily assessed consumption of goods and services due to providing goods and services.
Performance	▶ Monetarily assessed increase in value due to providing goods and services.

Note: (a) Per definition an economic good needs to have a demand for it and a shortage of that good occurs. This is true for most of all goods.

## 2 Basic terms of accounting

# Distinction of cash outflow and expenditure

Cash outflow of the period					
Cash outflow but no expenditure		Cash outflow and expenditure at once			
<p>Cash outflows that led to expenditures within a prior period</p> <p>E.g.: Paying an invoice statement concerning the delivery of raw materials from a prior period</p>	<p>Cash outflows that will lead to expenditures within a future period</p> <p>E.g.: Prepayments for raw materials that will be delivered within a future period</p>	<p>Cash outflows that lead to expenditures within the same period</p> <p>E.g.: Cash purchase of raw materials</p>			
			<p>Expenditures that can be derived from cash outflows of the same period</p> <p>E.g.: Cash purchase of raw materials</p>	<p>Expenditures that can be derived from cash outflows of a prior period</p> <p>E.g.: Delivery of goods that have been paid within a prior period</p>	<p>Expenditures that will lead to cash outflows within a future period</p> <p>E.g.: Purchase of goods on credit</p>
			<p>Expenditure and cash outflow at once</p>	<p>Expenditure but no cash outflow</p>	
			<p><b>Expenditure of the period</b></p>		

## 2 Basic terms of accounting

# Distinction of expenditure and expense

Expenditure of a period		
Expenditure but no expense	Expenditure and expense at once	
Expenditures that will lead to expenses in future periods  E.g.: Purchase of raw materials that will be used within a future period	Expenditures that will lead to expenses within the same period  E.g.: Usage of raw materials that have been purchased within the same period	
	Expenses that lead to expenditures within the same period  E.g.: Consumption of raw materials that have been purchased within the same period	Expenses that can be derived from expenditures of a prior periods  E.g.: Depreciation of a machine that was purchased within a prior period
		Expenses that will lead to expenditures within a future period  E.g.: Accrual of provisions
	Expense and expenditure at once	Expense but no expenditure
	Expense of the period	

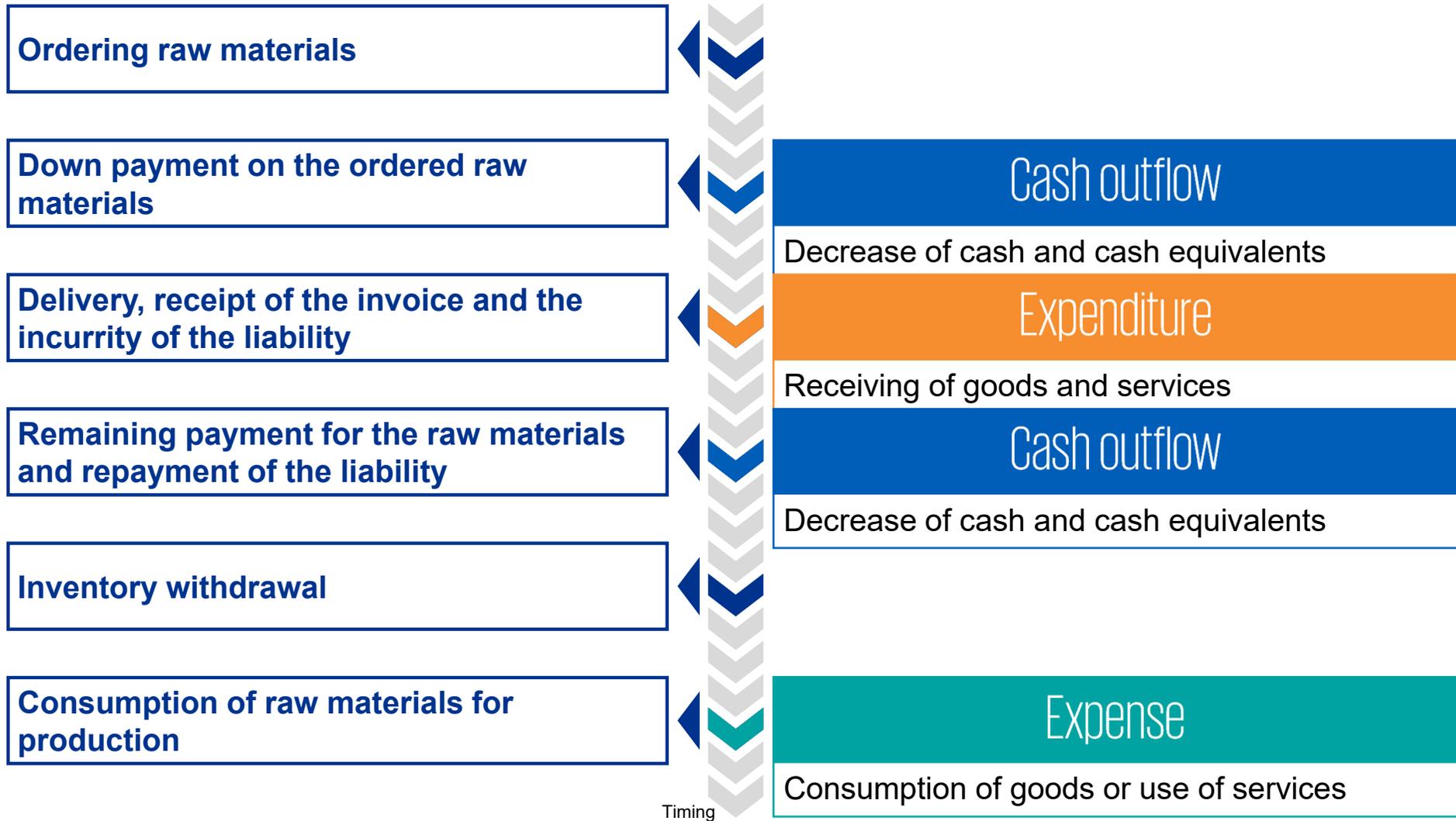
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### Example 1: Purchase - to - Pay (Purchasing cycle)



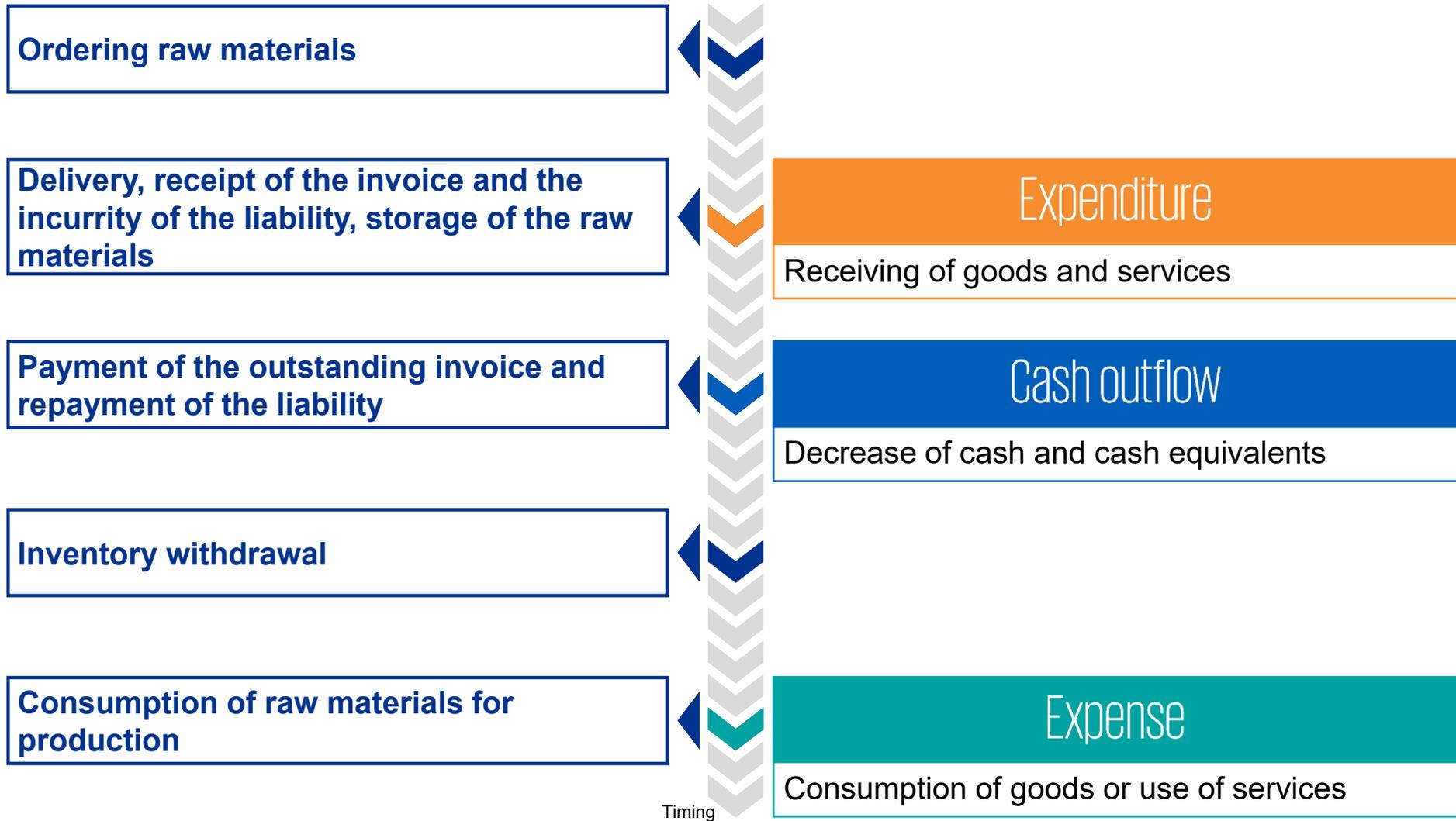
## 2 Basic terms of accounting

### Example 2: Purchase - to - Pay (Purchasing cycle)



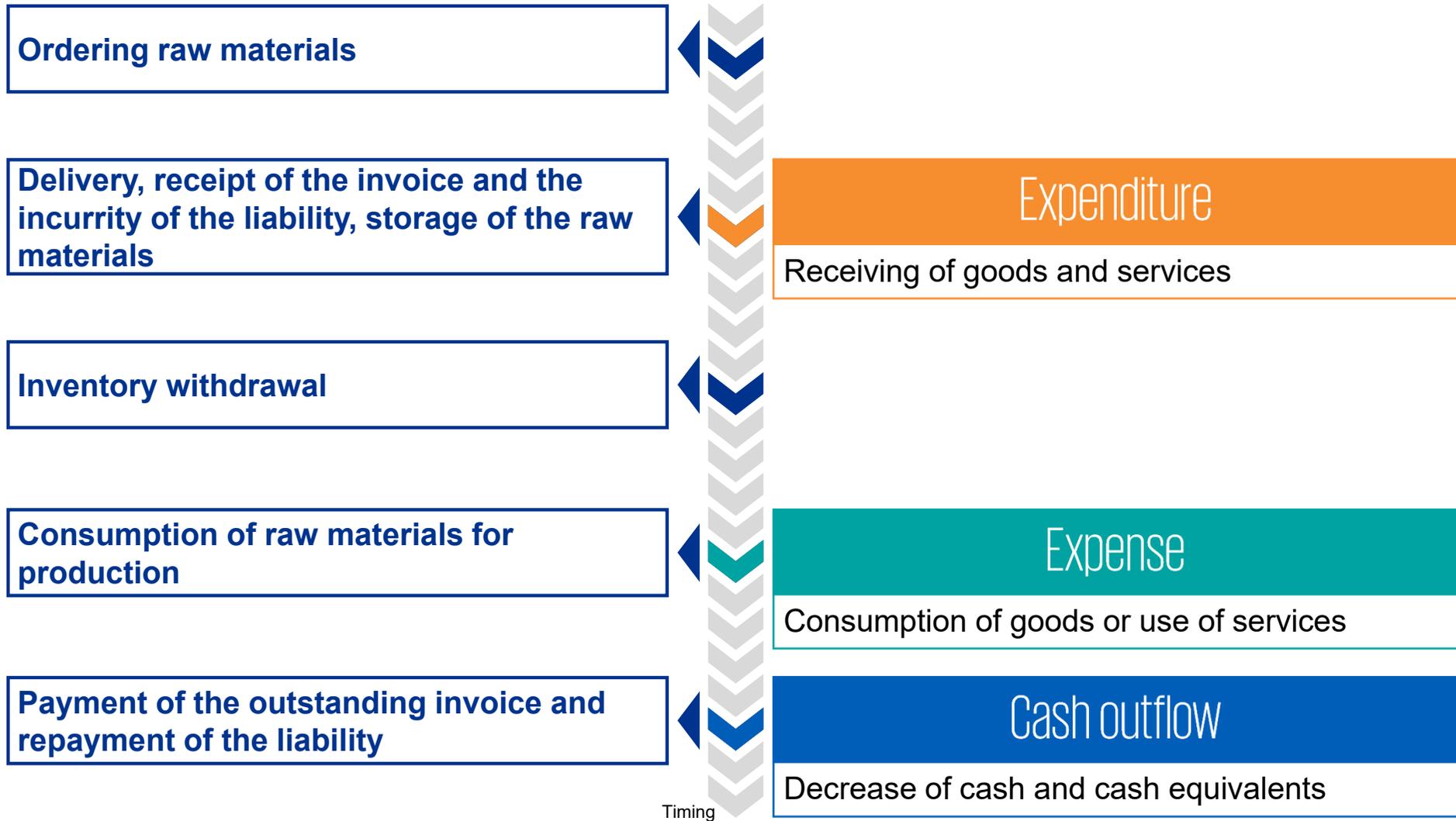
## 2 Basic terms of accounting

### Example 3: Purchase - to - Pay (Purchasing cycle)



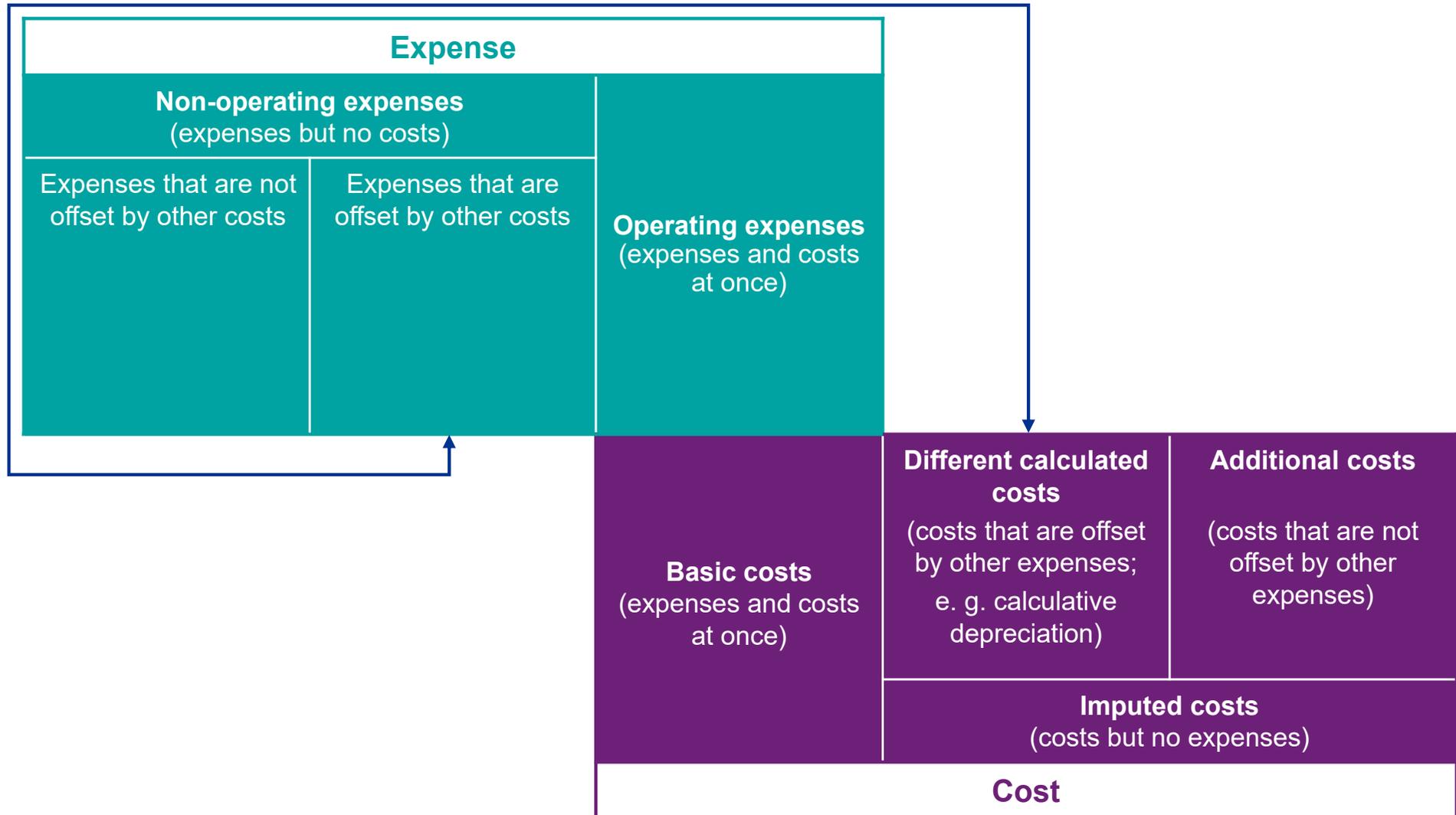
## 2 Basic terms of accounting

### Example 4: Purchase - to - Pay (Purchasing cycle)



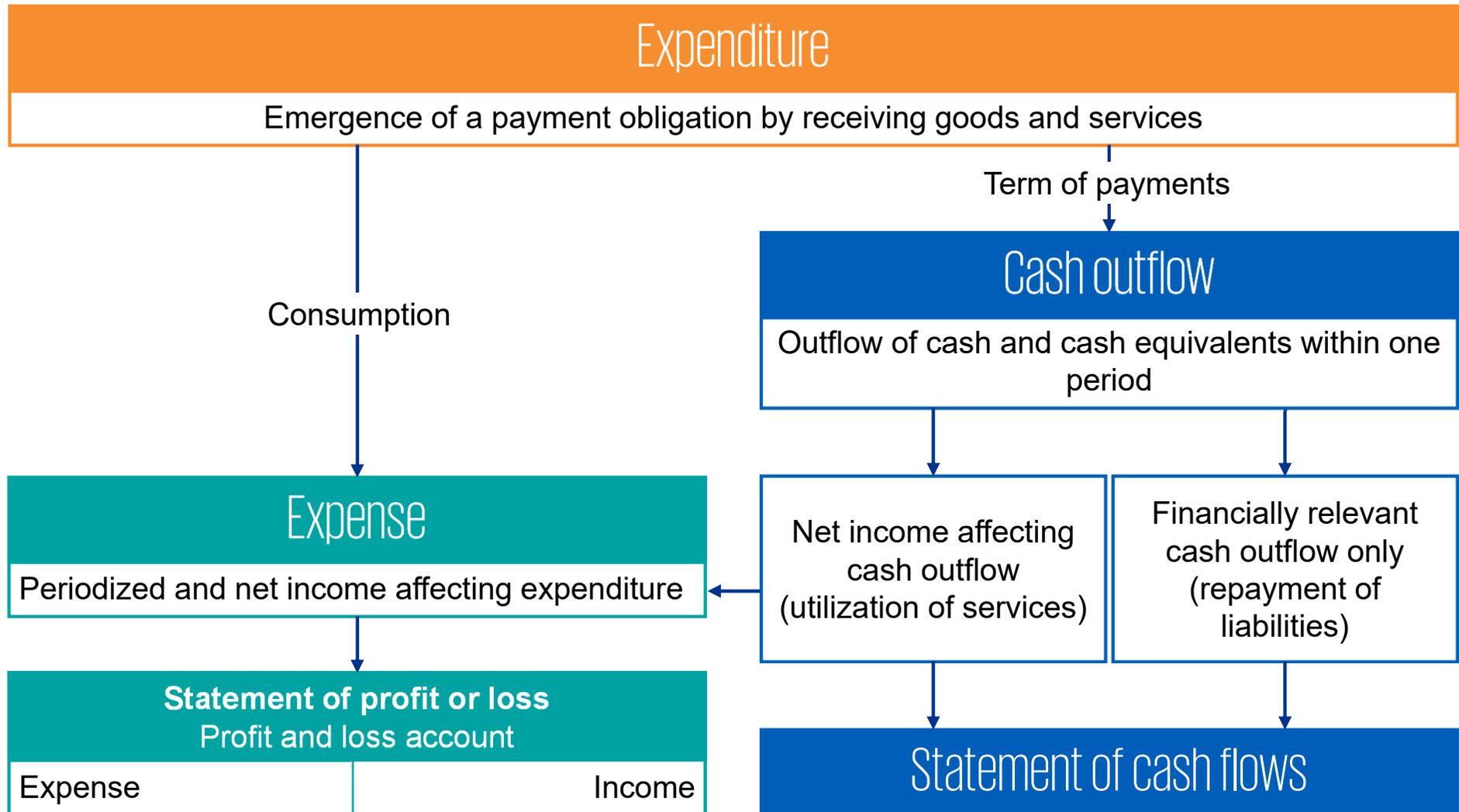
## 2 Basic terms of accounting

# Distinction of expense and cost



## 2 Basic terms of accounting

# Distinction of cash-outflow, expenditure, and expense



Note: At some time every expenditure becomes either a cash-outflow or an expense by consumption respectively.

## 2 Basic terms of accounting

# Distinction of cash inflow and receipts

Cash inflow of a period					
Cash inflow but no receipts		Cash inflow and receipts at once			
<p>Cash inflows that already have led to receipts within a prior period</p> <p>E.g.: Payment of goods sold in a prior period</p>	<p>Cash inflows that will lead to receipts within a future period</p> <p>E.g.: receiving a pre-payment on a sale of goods in the subsequent period</p>	<p>Cash inflows that lead to receipts within the same period</p>			
			<p>Receipts that can be derived from cash inflows of the same period</p> <p>E.g.: Cash sale of goods</p>	<p>Receipts that can be derived from cash inflows of a prior period</p> <p>E.g.: Sale of goods that have been paid in a prior period</p>	<p>Receipts that will lead to cash inflows at a future period</p> <p>E.g.: Sale of goods on credit</p>
			<p>Receipts and cash inflow at once</p>	<p>Receipts but no cash inflow</p>	
			<p><b>Receipts of a period</b></p>		

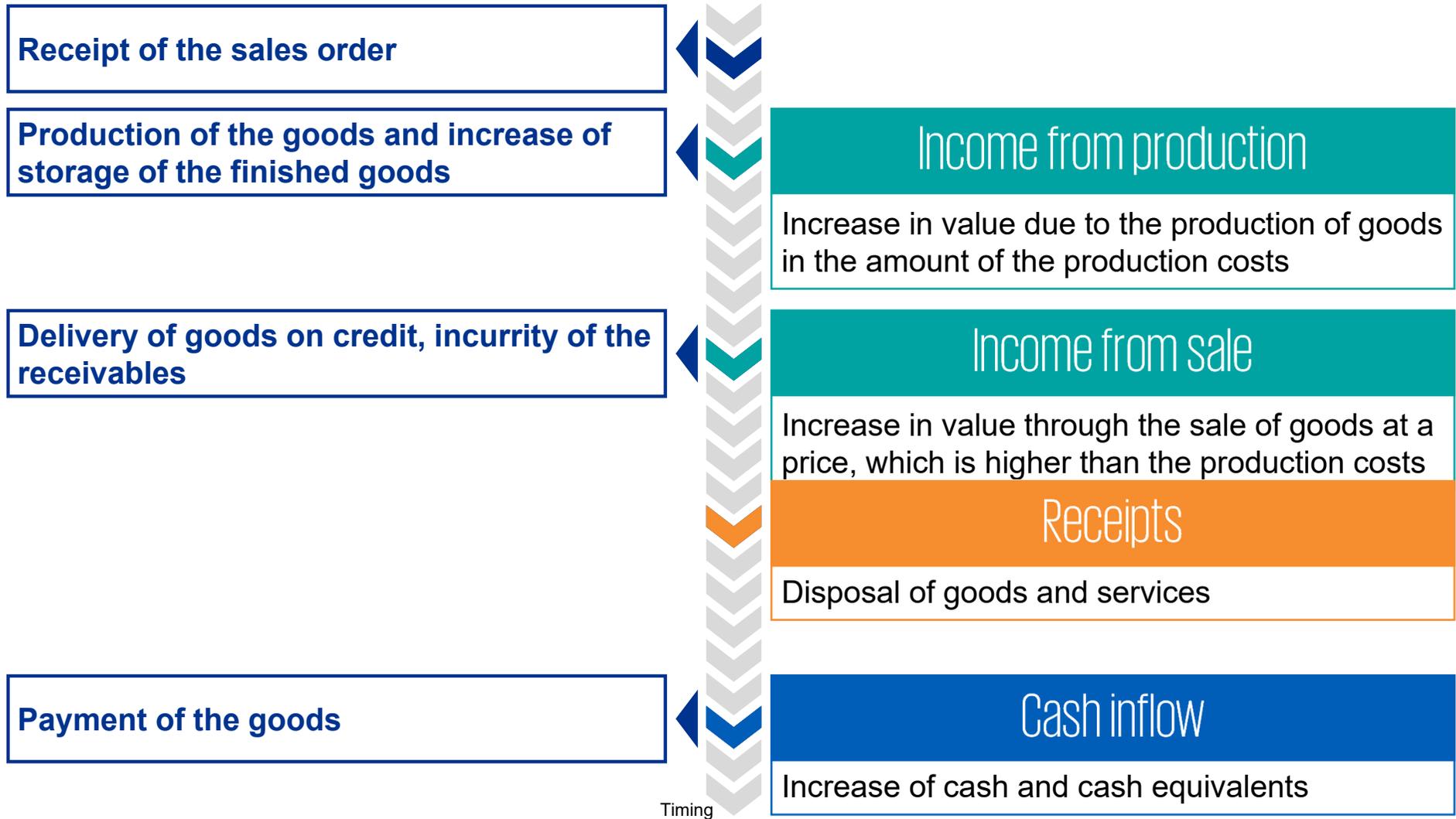
## 2 Basic terms of accounting

# Distinction of receipts and income

Receipts of a period			
Receipts but no income		Receipts and income	
Receipts that will affect income at future periods  E.g.: Sale of a facility at book value on credit		Net income affecting receipts	
	Income that leads to receipts within the same period  E.g.: Sale of goods that have been produced within the same period	Income that will lead to receipts within future periods  E.g.: Production of finished goods and semi-finished goods for stock	Income that does not lead to receipts  E.g.: Construction of facilities for company's own usage
	Income and receipts at once	Income but no receipts	
<b>Income of a period</b>			

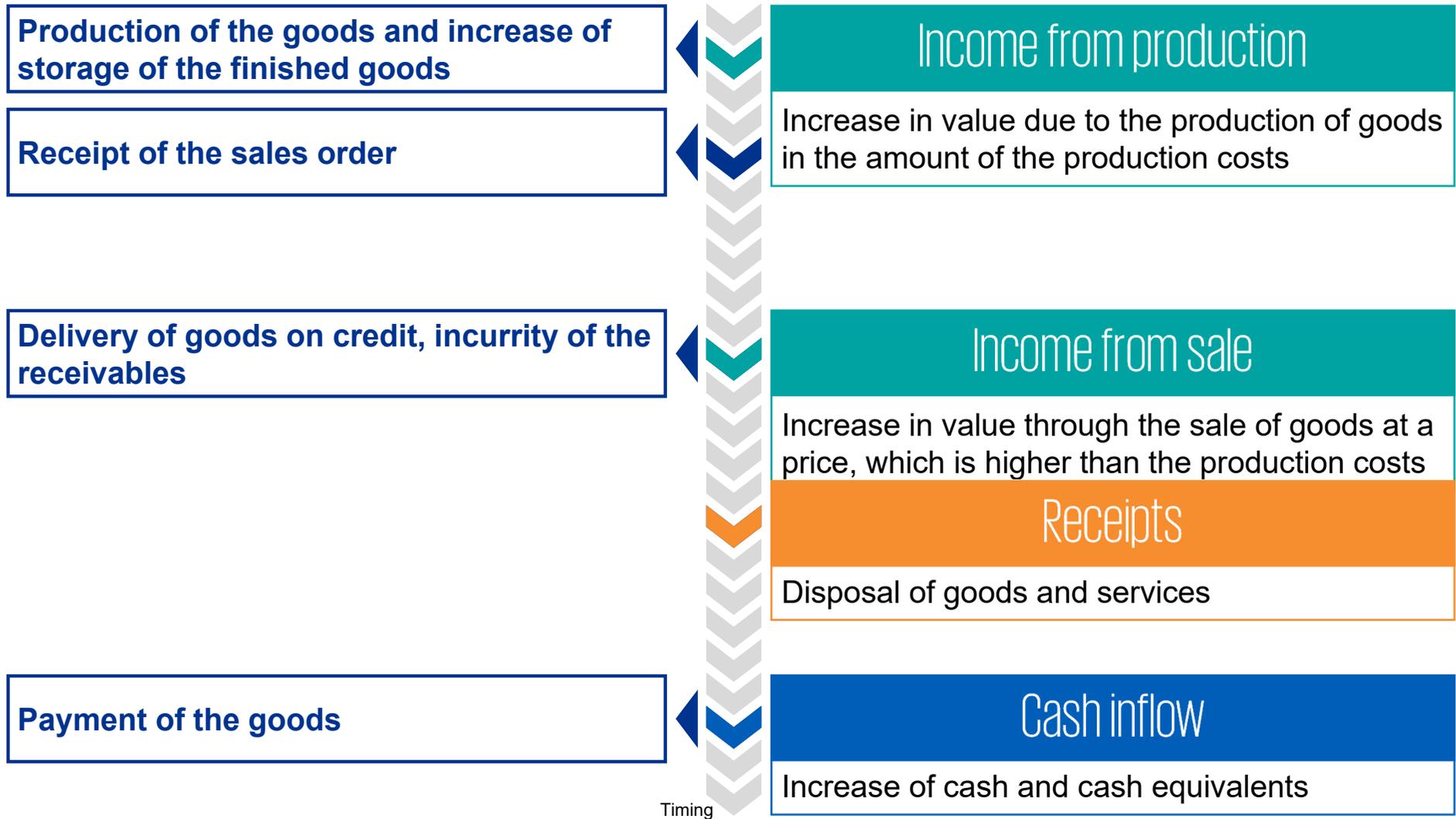
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### Example 5: Order - to - Cash (Sales cycle)



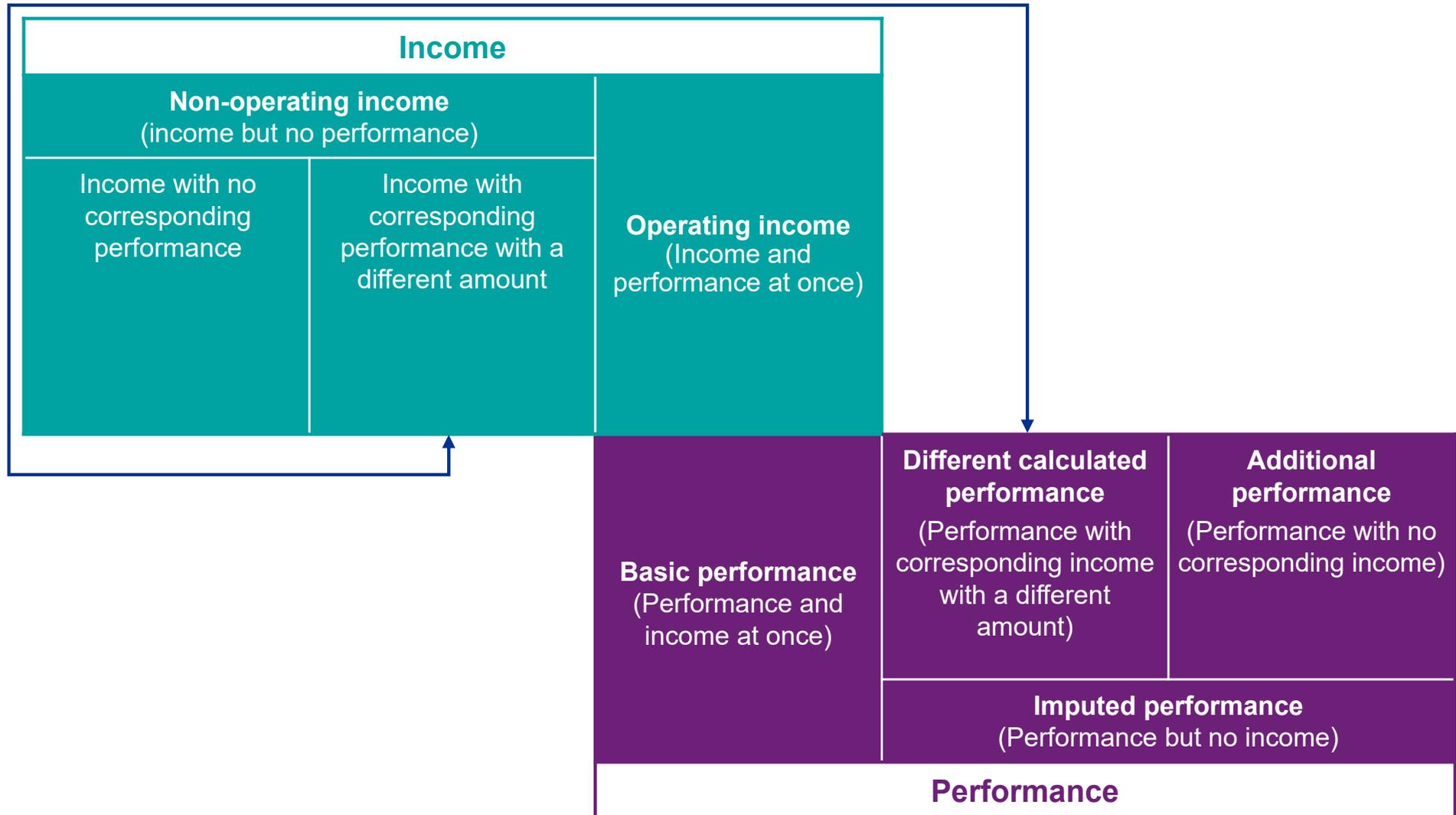
## 2 Basic terms of accounting

### Example 6: Order - to - Cash (Sales cycle)



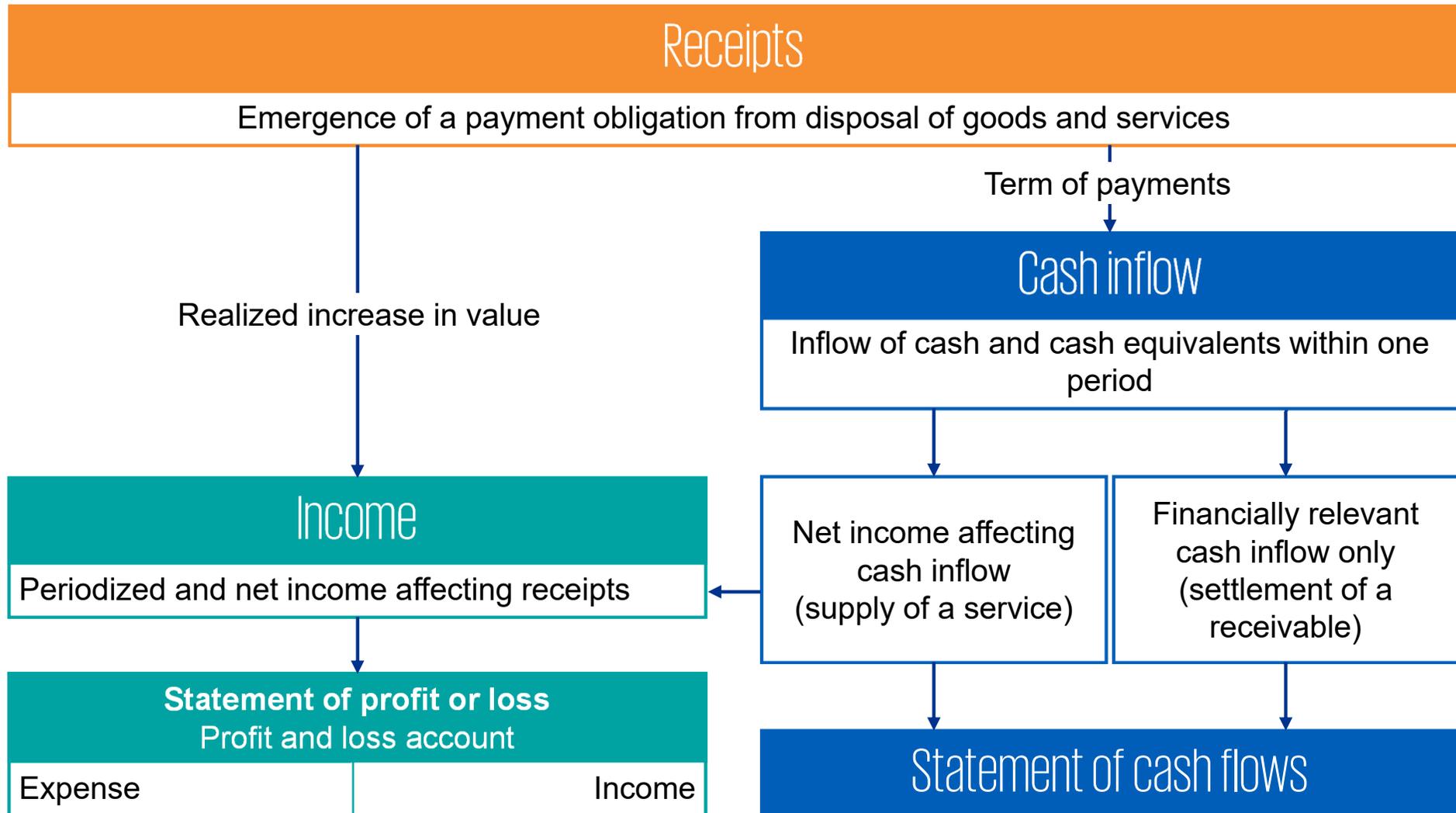
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# Distinction of income and performance



## 2 Basic terms of accounting

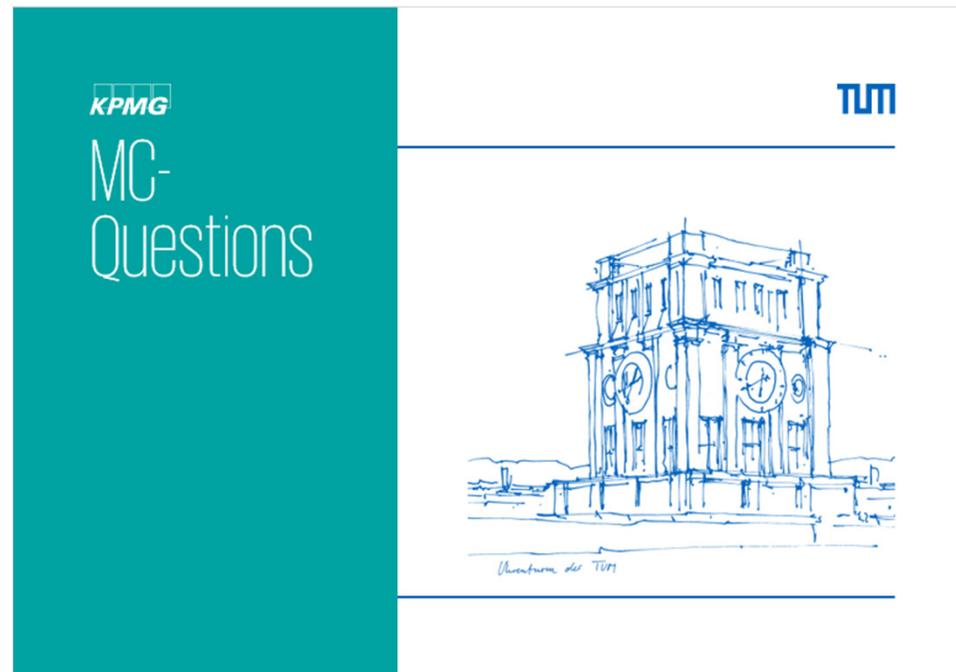
# Distinction of Cash-inflow, receipts and income



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Finally ... Don't forget to test your knowledge!

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Thank you  
for listening

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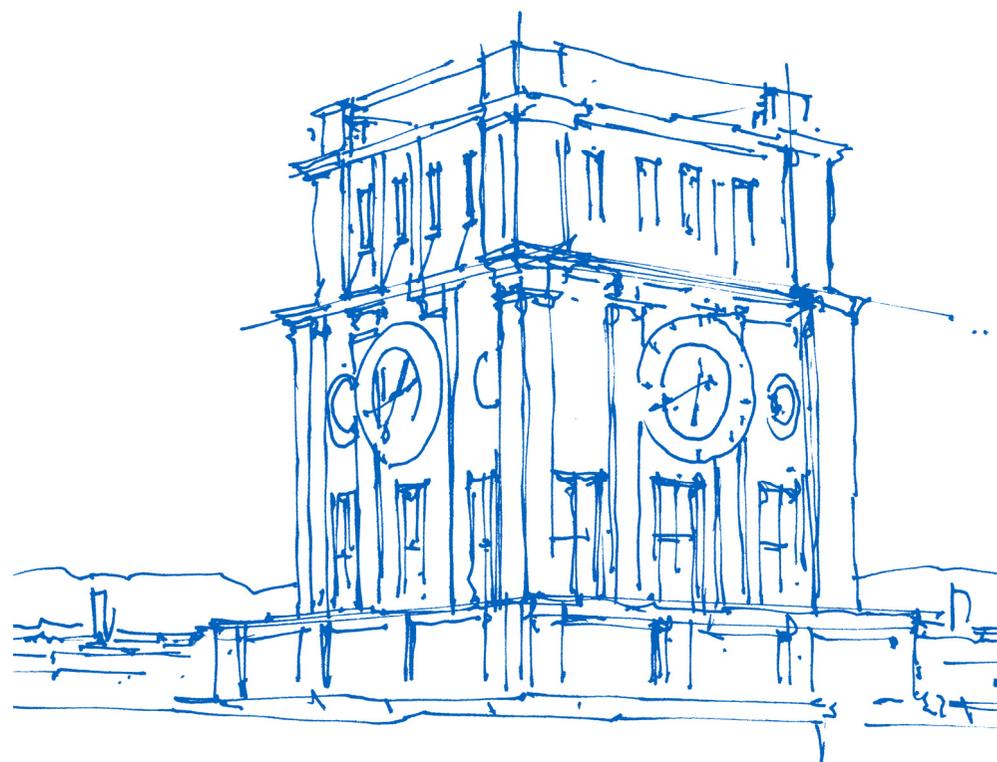
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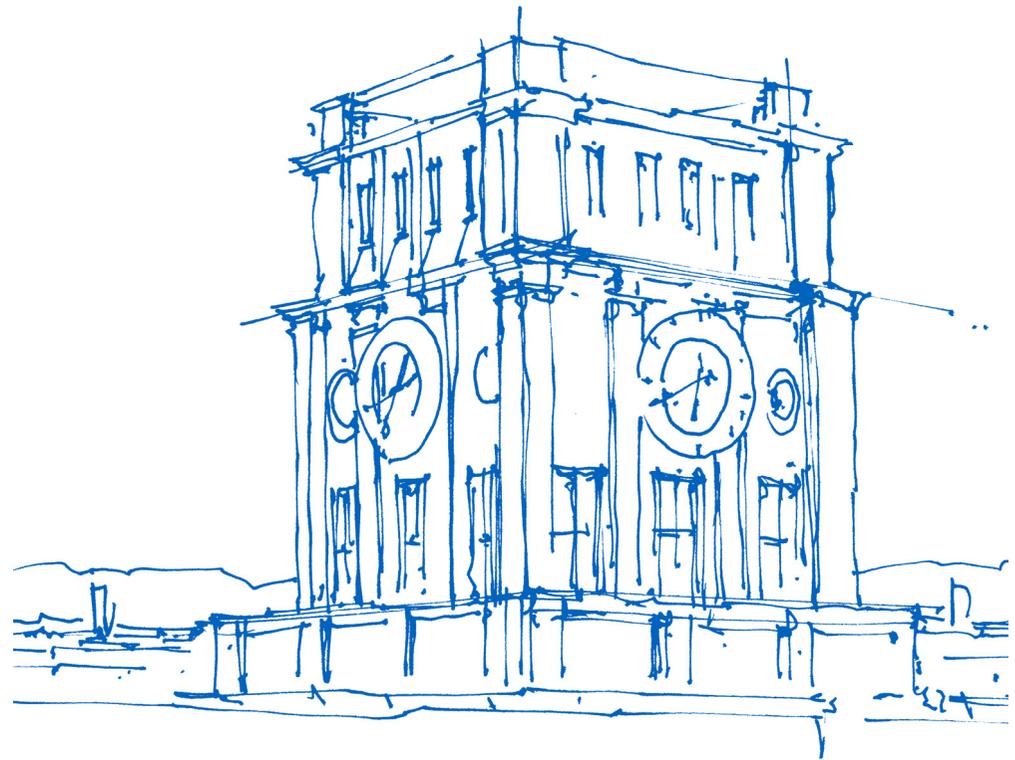
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# MC- Questions



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## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

Operating result is formed by balancing ...

- A Performance and cost
- B Income and Expense
- C Receipts and Expenditure
- D Cash-inflow and cash-outflow

Balancing of receipts and expenditures results in ...

- A Operating result
- B Net income
- C Financial balance
- D Payment balance

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

Select the correct definition for receipts!

- A Monetary value of a company's delivered economic goods within a period
- B Cash and cash equivalents that flow directly to the company within a period
- C Monetarily assessed increase in value due to performance of services
- D Increase in value within a period (affecting net income)

Select the correct definition for costs!

- A Consumption respectively usage of economic goods (affecting net income)
- B Monetarily assessed consumption of goods and services due to the performance of services
- C Monetary value of a company's acquired economic goods within a period.
- D Cash and cash equivalents that are spent by the company within a period

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

"Monetary value of a company's acquired economic goods within a period." is the correct definition for...

A Expenditure

B Receipt

C Expense

D Income

"Cash and cash equivalents that are spent by the company within a period." is the correct definition for..

A Cash-outflow

B Cash-inflow

C Receipt

D Income

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

The transaction "Payment of machinery, that already has been delivered in the prior period." is a(n)...

- A Cash-outflow
- B Cash-outflow and expenditure
- C Receipt
- D Expenditure

The transaction „Payment of machinery, that is going to be delivered in the subsequent period.“ is a(n)...

- A Cash-outflow
- B Cash-outflow and expenditure
- C Receipt
- D Expenditure

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

The transaction "Purchase of goods for the amount of 600 € on credit." is a(n)...

- A Cash-outflow
- B Cash-outflow and expenditure
- C Receipt
- D Expenditure**

Note:

Here it is always assumed that an economic good is obtained by the buyer immediately (and also is delivered immediately in case of sale)

The transaction "Purchase of raw materials via cash payment" is a(n)

- A Cash-outflow
- B Cash-outflow and expenditure**
- C Receipt
- D Cash-inflow and receipts

# Basic terms of accounting

The transaction "Purchase of wooden planks for 200 € on credit." is a(n)...

- A Expenditure
- B Expenditure and Expense
- C Expense
- D Cash-outflow, Expenditure and Expense

Note:

As there is no indication when the consumption takes place it is not examined whether there is an expense; i.e.: Expense is considered only with explicit indication of consumption

The transaction "Purchase of wooden planks for 200 € on credit, which are consumed in the next but one period." is a(n)...

- A Expenditure
- B Expenditure and Expense
- C Expense
- D Cash-outflow, Expenditure and Expense

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

The transaction "Purchase of wooden planks for 200 € on credit, which are consumed immediately." is a(n)...

- A Expenditure
- B Expenditure and Expense**
- C Expense
- D Cash-outflow, Expenditure and expense

The transaction "Scheduled straight-line depreciation of production machinery." is a(n)...

- A Expenditure
- B Expenditure and Expense
- C Expense**
- D Cash-outflow, Expenditure and expense

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

The transaction "Non-scheduled depreciation of production machinery." is a(n)...

- A Expenditure
- B Expenditure and Expense
- C Expense**
- D Cash-outflow, Expenditure and expense

The transaction "Formation of accruals." is a(n)...

- A Expenditure
- B Expenditure and Expense
- C Expense**
- D Cash-outflow, Expenditure and expense

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

The transaction Sale of goods for 700 € on credit is a(n)...

- A Receipt
- B Expenditure
- C Profit
- D Expense

Note:

At time of transaction, income is recorded: "Receivables to Sales 700 " ( receiptss are a form of income). At the end of period is "Material expenses are entered on Goods account". The balance of income and expense then forms profit (income > expenses) or loss..

The transaction "Decrease in value of a company car." is a(n)...

- A Expenditure
- B Expenditure and Expense
- C Expense
- D Cash-outflow, Expenditure and expense

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

The transaction "Rental payment for a business office via bank transfer." is a(n)...

- A Expenditure
- B Cash-outflow and Expense
- C Expense
- D Cash-outflow, Expenditure and expense**

The transaction "Purchase of production machinery for the price of 100.000 €." is a(n)...

- A Expenditure**
- B Expenditure and Expense
- C Expense
- D Cash-outflow, Expenditure and expense

Note:

Since there is no information if purchase is a cash payment or on credit → unclear, whether cash-outflow or no. But here no relevance for answering MCQ.

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

The transaction "Granting a bank loan in the amount of 1.111 €." is a(n)...

- A Cash-outflow
- B Receipt
- C Cash-inflow
- D Receiptsand cash-inflow

The transaction "Repayment of a loan in the amount of 50.000 €." is a(n)...

- A Cash-outflow
- B Cash-outflow and expenditure
- C Receipt
- D Expenditure

# Basic terms of accounting

The transaction "Cash sale of finished goods for 300 €." is a(n)...

- A Cash-inflow
- B Cash-inflow and Receipt**
- C Receipt
- D Expenditure

Note:  
Basically also income (sales revenues), but not provided here as an option.

The transaction "Sale of tangible assets for its book value of 5.000 €." is a(n)...

- A Receipt**
- B Expenditure
- C Income
- D Expense

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

What is a sale of finished goods on credit for the selling company?

- A Cash-inflow, but no income.
- B No receipt, but an income.
- C Receipt, but no cash-inflow.**
- D None of the above is correct.

Business accounting is separated in different fields. What is **not** a part of the management (internal) accounting?

- A Budgeting
- B business accounting**
- C Statistics and comparative methods
- D Cost- and performance accounting

# Basic terms of accounting

The transaction "Sale of finished goods on credit for 600 €." is a(n)...

- A Cash-inflow
- B Cash-inflow and receipt
- C Receipt**
- D Expenditure

The transaction „Cash sale of finished goods for 600 €." Is a(n)...

- A Cash-inflow**
- B Cash-outflow
- C Expenditure
- D None of the answers above is correct.

Note:  
Actually the transaction is a cash-inflow, receipts and income; the latter is not provided as an option. Therefore answer A) is correct.

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

The transaction "Increase in value of several tangible assets by 100 €." is a(n)...

- A Receipts
- B Receipts and income
- C Income**
- D Expense

The transaction "A customer's cash payment for services in the amount of 6.000 €." is a(n)...

- A Receipts
- B Receipts and income
- C Income
- D Cash-inflow, receipt and income**

## 2 Basic terms of accounting (MCQ)

# Basic terms of accounting

The transaction „A loan granted to a fellow company is being repaid.“ is a(n)...

- A Cash-inflow
- B Cash-inflow and receipt
- C Receipts
- D Expenditure

The transaction “Taking a cash loan (e.g. bank loan) in the amount of 95.000 €.” is a(n)...

- A Cash-inflow
- B Cash-outflow
- C Receipts
- D Expenditure

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