

ACCOUNTING FROM AN AUSTRIAN (MISESIAN) PERSPECTIVE

A visual guide created by Dr. David Rapp to help listeners understand the Austrian principles discussed in episode #51 of Economics for Entrepreneurs.

Economic Calculation

Necessary precondition for economizing (production) decisions in a division of labor/

Absence of proper calculation central argument in the unmasking of socialism

	Accounting of profit and loss		Commercial precalculation
Main purpose	Revealing of success or failure (profit or loss) of entrepreneurial activity; computation of consumption possibility (income)		Structuring of and planning for potential future action ; basis for judging about whether or not worthwhile
Temporal perspective	Retrospective , primarily directed towards past action; but: implications for future action		Anticipatory , directed towards possible future action
Basis	Double-entry bookkeeping (Mises references Goethe “one of the finest inventions of the human mind”), revenues, expenses, gains, losses		Cost, proceeds, payment flows
Main tools	Balance sheet, income statement/profit & loss statement		Investment appraisal, costing/ cost accounting
Contemporary terminology	Financial accounting/ financial reporting		Managerial accounting
Primary addressee	Mises capital accounting	Financial accounting	Internal
	Internal	External	
Subject to regulation?	Mises capital accounting	Financial accounting	No , with exceptions (e.g., banks)
	No	Yes , by commercial law/ standards	