

New Circular providing guidance on Vietnamese Corporate Accounting System

The Ministry of Finance (the “MoF”) issued Circular No. 200/2014/TT-BTC providing guidance on the Vietnamese Corporate Accounting System (“Circular 200”) on 22 December 2014, that replaces Decision No. 15/2006/QD-BTC (“Decision 15”) and Circular No. 244/2009/TT-BTC (“Circular 244”).

Circular 200 is seen to adapt to local realities, and be more feasible, open and flexible than Decision 15. The key changes of this Circular are summarised below:



Accounting documents

An enterprise is allowed to design the forms of its accounting documents provided that those documents contain sufficient information as stipulated in Vietnamese Law on Accounting. If the enterprise cannot design its accounting documents, it can apply the forms provided in Circular 200.

Accounting book

An enterprise is allowed to design its accounting books as long as they provide information about transactions completely, clearly and in a way that is easy to check and control.

Chart of accounts

Circular 200 provides a chart of accounts in which some new accounts are introduced, some are abolished and some are amended.

An enterprise is allowed to supplement or amend the name, code, content and accounting approach of class-1 or class-2 accounts by obtaining written approval from the MoF.

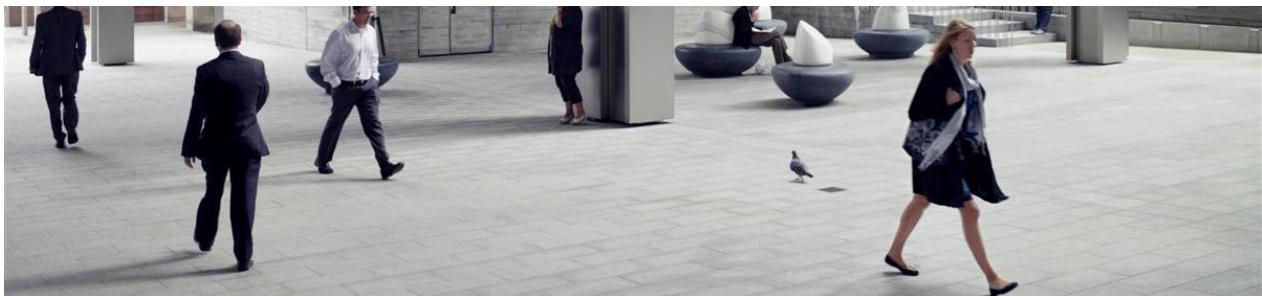
Financial statements (“FS”)

(a) Interim FS

100% state-owned enterprises and public interest enterprises shall prepare interim FS. Other enterprises are also recommended to prepare interim FS. Interim FS comprise quarterly FS (including Quarter IV) and half-year FS.

(b) FS for an enterprise that does not satisfy the requirements of a going concern

Circular 200 provides guidance on recognition of assets and liabilities and a FS template for an enterprise that does not satisfy the requirements of a going concern.



(c) Others

- When deciding to change accounting period, an enterprise has to prepare FS for the gap period between the old fiscal year and the current fiscal year.
- Circular 200 prescribes guidelines on FS preparation and presentation for an enterprise which is subject to a conversion of ownership form, division, demerger or merger.
- Circular 200 supplements and amends a number of balance sheet items, such as:
 - ✓ Adds new codes for trading securities, held to maturity investments, price stabilising reserve funds, subsidised funds for restructuring, conversion bonds, preference shares, diluted earnings per share, and undistributed earnings is split into: accumulated undistributed earnings up to end of last accounting period, and current period undistributed earnings.
 - ✓ Removes financial reserve fund; the balance of this fund is transferred into investment and development fund.

In addition, Circular 200 also provides detailed guidance and principals on a number of criteria for the Statement of Cash Flows.

Conversion of FS that are measured and presented in foreign currencies into Vietnamese Dong (“VND”)

Converted FS from foreign currencies into VND have to be audited before being made public or submitted to authorities in Vietnam. While Circular 244 only requires applying the inter-bank rate for FS conversion, Circular 200 stipulates a couple of exchange rates that are applied for conversions of assets, liabilities, equity, retained earnings, dividends, items on income statement and cash flow statements.

Foreign exchange differences in the stage of investment in capital construction

Foreign exchange differences arising in the pre-operating period are charged to the income statement at the transaction date, and are not allowed to be recorded into account 413 – foreign exchange differences. Only the 100% state-owned enterprises for national security, national defence, and macroeconomic stabilisation are allowed to record the differences into account 413 and shall allocate this gradually into the income statement when starting operation.

Applicable exchange rates for specific transactions

Circular 200 has some changes in the principles of applying exchange rates for specific transactions. Circular 200 allows using actual exchange rates or actual closing exchange rates while weighted average interbank exchange rates are commonly used in Circular 244. Specific transactions with changes are as follows:

- Conversion of FS that are measured and presented in foreign currencies into VND
- Change of accounting currencies
- Revaluation advances from customers or prepayments to suppliers

Other changes

- Repealing last in first out (LIFO) method, and introducing retail price method.
- Stops using the term “permanent differences” when calculating deferred tax.
- Capital contribution is based on actual contribution amount, not based on charter capital that is recorded in the Business Registration.
- Earnings per share (“EPS”): in the case a Bonus and Welfare fund is appropriated from profit after taxation, basic earnings for calculating EPS have to exclude the amount appropriated to the Bonus and Welfare fund.

Circular 200 will become effective on 5 February 2015 and will be applied for fiscal year beginning after 1 January 2015.