

apply the new system of accounts effectively. The new system can't produce good result in application when companies continue to be under the present management.

Thirdly, we should integrate our accounting system into the accounting system of the world and the region. We should study, select and apply international standard and practices of accounting to our system. We should learn experience and ways of doing business of foreign countries and adjust them to Vietnam's conditions. This practice will enable us to avoid mistakes and perfect our system of accounts soon.

In order to reform the system of accounts successfully, the Government wants the Ministry of Finance to apply the new system of accounts to companies step by step and side by side with reformation in mechanism for financial management and administrative machinery. This practice will enable companies and administrative organizations to prepare everything for renovation.

The pilot application of the new system of accounts is well prepared and supported by administrative organizations at every level and a lot of directors and chief accountants. Naturally, there could be obstacles and objection. If there is any difficulty, try your best to overcome it. The Ministry of Finance and the Government are right behind you in this reformation, you can be sure about it.

I request that the enterprises carrying out this pilot scheme apply seriously the new system of accounts as of Jan 1, 1995. From realities of the pilot scheme, we will find out solutions to present problems and perfect the system before it is officially promulgated. I request that the Ministry of Finance prepare everything for the application of the system, direct carefully companies in the pilot scheme, solve difficulties, listen to opinions of experts and evaluate results of the pilot scheme.

I hope that reformation in accounting and financial management along with progress in economic and administrative renovation will create a new turning point in renovation process of our country.

The year 1995 is the last one of the present five-year plan, (1991-1995), it's the year we reform our system of accounts. On behalf of the Government, I wish you best health, happiness and great success in reforming our system of accounts■

SOME OPINIONS ABOUT VIETNAM'S NEW ACCOUNT SYSTEM

by BÙI VĂN DƯƠNG

On Dec 14, 1994, the Ministry of Finance issued Decision No 1205TC/CBKT relating to a new account system which would be applied to all businesses of every economic sector in Vietnam. At present, this account system is carried out as a pilot scheme in some businesses from Jan 1, 1995. After this scheme, various government's departments and the Ministry of Finance will generalize the scheme and perfect the account system before it is put into effect as of July 1995 as planned.

The following are our opinions after studying all methods and ways to make account books and other accounting documents following the instructions of the Ministry of Finance:

1. Strong points

- Contents of the account system are arranged reasonably and scientifically into 9 kinds of account



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including 71 main accounts which could reflect all economic activities in the market mechanism such as trade of stocks, investment in real estate, leased fixed assets, intangible fixed assets, etc.

- The new account system is based on international standard and principles of accounting with a view to enhancing the level of Vietnam accounting.

Those two features will help Vietnam integrate into financial and accounting activities of the world.

- Account books take form of the journal including accounts opened for activities of the same nature (for example: Account 321: payment to supplier, Account 131: advance to supplier) which can facilitate application of informatics to accounting and help accountant process and supply information more quickly and exactly.

- An identical form of periodic accounting report applied to all businesses is helpful to those who need accounting records such as business owner or manager, board of directors, creditor, investor, government department, etc. On the other hand, it forces accountants to accept full responsibility and work more carefully.

- The new account system can facilitate the development of many services (financial consultant, accounting, auditing...) because accounting business should go according to common principles.

- It can also facilitate the formation of stock market and real estate market and many others, and at the same time, create favorable conditions for investment and equitization of state owned enterprises.

- It meets the demand for perfecting and standardizing the SNA and calculating socio-economic indicators (such as GNP, GDP, total output of an industry, etc.)

2. Weak points

- Account for reserve

In doing business, taking reserves against risks is necessary and there are some accounts of reserve in the new account system:

. Account 129: reserve for depreciation of short-term investment.

. Account 139: reserve for bad debt.

. Account 159: reserve for depreciation of stock in hand.

. Account 229: reserve for depreciation of long-term investment.

However, there is no account for reserve for depreciation of fixed assets (wear and tear). This is what, in our opinion, should be added to the account system in order to make it more systematic.

- Selling expenses

According to new account system, all selling expenses generated during a period should be brought forward in order to find out net profit at the end of an accounting period. If selling expenses generated during a period related to goods sent on consignment, and the sum of money could be only received in the next period, so it's unreasonable to bring forward all selling expenses at the end of the period, because this method can't record exactly the relation between sales and expenses.

- Losses in production

The new account system refers only to losses caused by stopping the production according to plan and by damage to goods sent on consignment (so they are unsold), but didn't refer to solutions to production of bad-quality products or unintentionally stopping the production. In these cases, we can add to the new account system an account for damages received.

- Tax paying

There is no great change in recording tax payment made by businesses, thus the new account system can't deal with tax reformation in the future (replacing sales tax with VAT for example).

- On specialized journals

It's unreasonable to require that every transaction should be entered twice in both two sides of an account of specialized journals, because it will double the accountant's job. On the other hand, there is no instruction to handle these repeated entries when they are entered in the general journal (the ledger). We think that we can apply the set of journals of American accounting (including 4 journals: cash receipts, cash payments, buying on credit and selling on credit) which is simple, easy to make and free from repetition.

- On money transaction report

Studying required contents of the money transaction report, we

could learn of operating, investment and financial activities:

+ Operating activities: including all activities of a business relating to indicators in financial statement such as net profit, irregular payments and receipts, paid company income tax, paid debts and change in current assets.

+ Investment activities: including all activities relating to exchanges of fixed assets, bonds, shares of other businesses, investment in branches, etc. and profit from these activities.

+ Financial activities: including all activities relating to loans from creditors (including issue of shares and bonds), all activities relating to owners, paid loans and divided dividend.

The new account system included exchange of shares in financial activities (accounts 711 and 811), and exchanges of fixed assets and other transactions (inventory shortage or surplus, damages received or fine payments) in irregular activities (accounts 721 and 821). Thus, the relation between accounting report and accounts isn't made reasonable and close. We suggest the following solutions:

. To change names of accounts 711 and 811:

- Account 711: receipts from investment

- Account 811: expenses of investment

. Selling fixed assets could be entered in accounts 711 and 811 instead of accounts 721 and 821 (irregular activities).

We present the above opinions with a view to taking part in building our account system. As for impact of accounting on the economy, we think that it depends on a lot of factors such as regulations on making first entries, compulsory accounting, financial inspection, auditing, etc ■

