

Five years before, some HCMC-based enterprises such as Đại Thành, Thanh Hương, Xacogiva, issued corporate bonds. They used new loans to pay old debts with high interest rate, so in a short time, they could attract an enormous sum of dead money from the people before someone doubted if there was something wrong with them.

1. A flaw: Issuers in Vietnam are under no obligation to make their financial statement public.

In foreign countries, companies are forced by law to make their financial position public in three years in succession before they are allowed to issue securities. If it is a newly founded companies, the list of its founders, board of directors, its financial and technical project should be made public in order to show its profitability and ability to pay debt. All of these statements should be verified by qualified experts. So the savers and investors can have a basis for their decision making.

In cases of Đại Thành, Thanh Hương, etc., if these regulations had been brought into effect in HCMC, the people could have asked for their profit and loss statement, their financial and technical project with the signatures of qualified experts.

Naturally, no experts specialized in accounting, finance and technique put their signatures on false profit and loss statement or false financial and technical statement, because these foul deeds will be punished severely by law and these experts will lose their prestige when the scandal is publicized. Therefore, in foreign countries, such scandals as Đại Thành, Thanh Hương could be prevented from occurring.

2. Financial openness: a precondition for forming the stock exchange

In order to form the stock exchange, statutes on accountant, financial and technical expert and broker-dealer should be made. In addition, fundamental analyses and financial statements should be made public periodically.

If these regulations are established, many results could be achieved:

- Deceiving and venal business people will be prevented from doing foul deeds.

- Good business people and companies are encouraged to make public their achievements in order to win support from the public for their business.

- To publicize the financial statement periodically is a best way to force loss-making companies to im-

prove their performance. On the other hand, successful companies will be held in high regard by the public. Publicizing financial position of companies is a way to realize and protect the people's rights.

Publicizing financial position will help savers and investors make their investment decision. In loss-making companies, new investment could vanish into thin air. On the contrary, investment put in well-managed companies could produce fair profit.

Taking Vũng Tàu seaport as a case in point, a joint stock company could be established. The company may issue 100 million shares of VNĐ 100,000 each. This company has a bright future because once Vũng Tàu seaport is built, it could handle 25 million tonnes of cargo each year and help the South Vietnam industrialize, its share's price will go high. Thus, the company has the ability to earn profits and pay debts. The problem of starting capital for Vũng Tàu seaport project could be solved easily.

THE STOCK EXCHANGE AND FINANCIAL OPENNESS

by Dr. LÊ KHOA



Five years before, if there had been law on publicizing the financial position, many billions of dead money of the people could have been invested in profitable projects instead of putting in Thanh Hương enterprise and the like. One VNĐ invested in good projects five years ago could turn out five or ten VNĐ now. Thus, publicizing the financial position could attract investment to best-managed companies.

3. The stock exchange and mobilization of capital

Economic development projects in Vietnam require enormous capital: Vũng Tàu seaport needs a starting capital of US\$1 billion, Trị An hydro-electric plant: US\$400 million, Hòa Bình: US\$2,400 million, Yaly: US\$700 million, etc. No investor could have such a big sum of money, but the public could.

4. The stock exchange and forecast of price trend

The face value of Vũng Tàu seaport share is VNĐ100,000, but its market price could go high or low because of estimation of the public and company's operating efficiency. Forecasting exactly, one could make money easily, especially when he (or she) can obtain enough information about managerial skill of the directorate and other necessary data.

By then, a new passion for speculation will come into being. It's a common event in developed countries where the people usually buy stocks in the hope of making a profit in the future. This passion is a major factor in mobilizing capital from the public. These speculators are badly in need of information on financial position of companies necessary for their forecast of price trends in the stock exchange ■