

# ACCOUNTING REFORMATION WILL CREATE A TURNING POINT IN RENOVATION PROCESS

**Editor's note:**  
**In the conference**  
**for giving instruc-**  
**tions about the**  
**new account sys-**  
**tem held in Hà Nội**  
**from Dec 28 to Dec**  
**30, 1994, Prime Min-**  
**ister Võ Văn Kiệt**  
**gave a speech**  
**which is carried**  
**here. The title is**  
**Editorial Board's.**

In recent years, the renovation in Vietnam has progressed profoundly and overall. The growth rate is stable and considerable. The inflation was gradually brought under control. In 1994, our country experienced many big challenges and natural disasters, but due to the renovation, the economy was kept stable and developed.

These achievements resulted from basic adjustments made to the economic structure and targets, and radical changes in economic policies and mechanism for economic, financial and administrative management.

However, many economic policies and management tools are renovated slowly, inappropriately or unsystematically. This phenomenon has barred the economic development, destroyed many economic forces and produced bad effects.

Accounting, as a tool for economic and financial management,

has been reformed many times and it has proved to be useful for economic development and management. We have had the Ordinance on Accounting and Statistics, the new account system, and an army of 500,000 accountants all over the country and a lot of them were graduates or post-graduates. This is a precious and powerful resource for our economy.

However, our present account system hasn't been in line with new achievements of the economy. The market economy has given rise to new problems and requirements which the accounting could not cope with perfectly. Accounting documents cannot be relied on to measure the financial situation of a company. Making book profit while suffering real losses is a common event in the state enterprises. The public fund and assets (that is, the money of taxpayers) were wasted and nearly free from inspection and control. These events took place when we were badly in need of capital. Meanwhile, we have got no effective measure to fight against corruption and waste, some measures set up in 1994 were nothing more than paperwork. The obligation imposed by law on accounting was too light. Falsification of accounting records and documents leading to damage to the public and the economy as a whole hasn't been punished strictly.

Therefore the Government should reform the account system including annual accounts for companies and for administrative organizations.

We should soon put our system of accounts in order and integrate it into the system of accounts of developed countries in the world, espe-

cially Asian and Southeast Asian ones.

I admire the Ministry of Finance for its realizing this urgent requirement and trying to carry out this reformation. I feel joyful because of your determination to carry out the accounting reformation. The presence of representatives which surpasses planned number has verified your determination.

The new system of accounts worked out by the Ministry of Finance is an attempt to meet basic requirements of the market economy and to integrate into common accounting practices of the world. The pilot application of this new system at enterprises which are under management of the Ministry of Construction has been carried out and has produced good practical results. The pilot scheme carried out in a large scale aimed at testing the new system of accounts in a period at every branch and field before it is perfected and officially promulgated.

In building and bringing the new system of accounts into effect, we should take the following opinions into consideration.

*Firstly*, we should make the new system of accounts more accurate, objective, simple, controllable, easy to make and low costed with a view to giving a helping hand to accounting job and economic and financial management.

*Secondly*, the new system of accounts couldn't be reformed and applied effectively without reformation in the mechanism for financial management. I suggest that the Ministry of Finance should quickly reform its management mechanism in order to



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

**O**n 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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