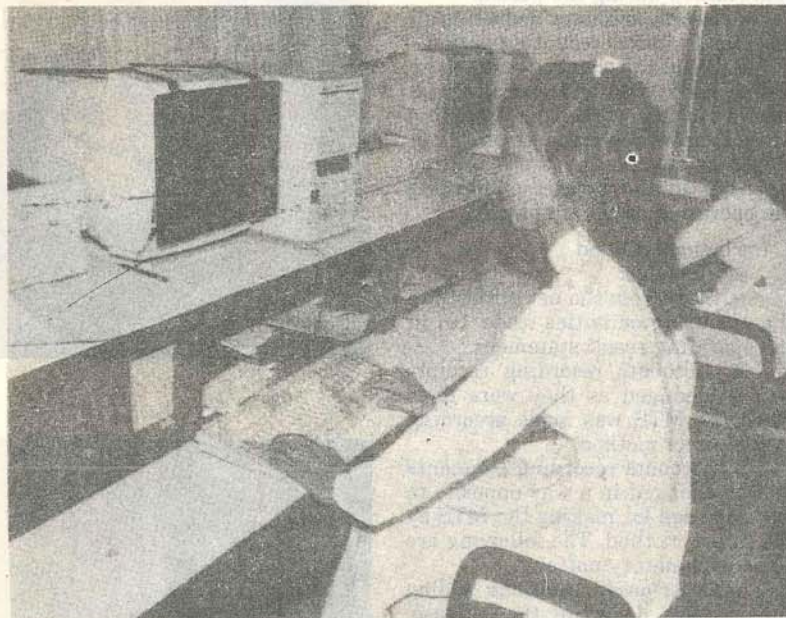


SOME OPINIONS ON THE NAMES OF THE SIDES ON THE BALANCE SHEET AND ACCOUNTS

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With a view to reforming overall and completely the accounting system and making it appropriate to the market economy and compatible to international practice, the Ministry of Finance, with the Prime Minister's permission, promulgated new system of accounts and accounting statements, pilotly applied to a limited extend as from Jan 1, 1995.

One can find the good and obvious intention of the experts who formulated the newly issued system of accounts and accounting statements. However, there are some issues to argue further such as the number of accounts, classification, recorded contents... In this article, we would like to refer to a small aspect, that is the names used in the new accounting system.

1. On the balance sheet, there are two sides: "assets" and "capital source" which are formerly called "assets" and "liabilities". In my opinion, the term "capital source" should be changed to "asset source".

2. In the system of accounts, the names of some accounts imply their balances, for example ACCT 131 is account receivable from customers, ACCT 133: internally receivable, ACCT 138: receivable from others, ACCT 154: unfinished products, ACCT 231: unfinished capital construction, ACCT 321: payable to suppliers, ACCT 323: payment of tax and payment to the national budget, ACCT 324: payable to workers, ACCT 326: internally payable, ACCT 328: payable to and receivable from others, ACCT 421: undistributed profits.

In our opinion:

- Accounts are used to notice the fluctuation of the objectives in the accounting period, although at the end of the period, the balance will be recorded on the balance sheet. Thus the account names have to express the nature of the objective, but not to name it by its balance.

- Some accounts in the system of accounts are called inappropriately to their balances such as cash account,

main raw material account...whereas they should have named *account of cash in hand* and *account of inventory raw materials*...This means lack of consistency in the issued system.

- Therefore we should call ACCT 131: payment to customers; ACCT 324: payment to workers... for example, or briefly ACCT 131: customers; ACCT 324: workers...to notice payment relation between the enterprise and those objectives, ACCT 154: production and trade; ACCT 231: capital construction; ACCT 421: profits in order to reflect cost of production and trade, of capital construction, profit and loss. Naturally, the balances of accounts will be put in items named "receivable from...", "payable to...", "unfinished capital construction", "undistributed profit".

3. Previously there is account "payment to sellers", the balance reflects payments and advances to sellers; account "revenue from buyers", the balance reflects receivable or pre-received amount from buyers. These accounts are usually called bitypical accounts. In the new accounting system, account "payable to suppliers" includes payment to suppliers and pre-receipts from customers, account "receivable from customers" includes receipts from customers and advances to suppliers. This definition makes the accounts become monotypical, the balance lies on only one side of the account, but it makes the other side bitypical. Account "receivable from customers" not only reflects payment relations between the enterprise and customers, but also between the enterprise and suppliers, account "payable to suppliers" similarly includes relations between the enterprise and customers.

Accounts are instruments to reflect, notice each objective, so the more distinct the discrimination of application range is, the better. We should not do the way of calling "customers" whereas applying to even suppliers, and vice versa. In order to keep away from this practice, we can have account seller-receivable; account buyer-advance; account seller-

payable; account buyer-previously received

4. In the account "prepaid expenses" there are contents: expenses of growing plants, expenses of research, experiment, patent, technique improvement... They are items including many expense factors, but some of which are not prepaid expenses. The account "prepaid expenses" really reflects prepaid expenses which will be gradually calculated in production cost, thus it should be called "initial expenses".

5. The account "expenses payable" includes such contents as expenses of stopped production due to season, expenses of repairing fixed assets, etc... This account also comprises some expense factors not identifying payable objectives, for example materials used for maintaining machinery while stopping production, materials for repairing fixed assets. Moreover, as for quantity, the really generated number (payable number) may not certainly fit the planned number. Therefore it cannot be named "payable expenses". The essence of this account is to reflect the previous calculation of expected expenses in production cost. As a result of this, the account should be called "precalculated expenses".

6. In the class III of the system of accounts, there are ACCT 311: short-term loan; ACCT 315: due long-term debt; ACCT 331: long-term loan; ACCT 332: long-term debt. When seeing these above accounts, one can think that their author intentionally discriminate between "loan" and "debt". But their contents can show no discrimination, for example due long-term loans and debts are moved from ACCTs 331 and 332 to ACCT 315 "due long-term debts" by entries of debit ACCTs 331, 332; credit ACCT 315. Therefore if there is no discrimination, then no different names should be used. Do loans lead to debts, or debts result from ways of payment? If this is true, these accounts should be named "debt..."

7. ACCT 221 is now called "capital pooled in joint ventures". We propose it should be changed to "assets pooled in joint venture" since the content of this account reflects the fluctuation of assets pooled in joint venture. They may be owned or loaned by the enterprise.

The proper use of names on the balance sheet and accounts will perfect the issued system. It even helps accountants easily do their jobs and especially learners easily study. Our small opinions mentioned above aim to contributing to understanding the new system of accounts ■



FOREIGN INVESTMENT CAPITAL OF US\$ 4,474 MILLION IN HCMC

In the first quarter of this year, more 23 foreign investment projects were licenced in the area of HCMC; of which 19 projects were in form of joint venture, 4 in 100% of foreign capital. The total investment capital was US\$ 785.5 million. The legal capital of 23 projects was US\$ 271.9 million, including US\$ 191 million of foreign party and US\$ 80.9 million of Vietnamese party. On average a project had invested capital of US\$ 34.1 million.

The industry of processing had 13 projects, only with invested capital of US\$ 101.8 million, an average of US\$ 7.7 million per project whereas there were only two investment projects in the industry of real estate, advisory services but their invested capital amounted to US\$ 537.4 million, taking 68.4% of the total invested capital. Some major projects in the first quarter were the September 23 Park; Saigon Cultural and Trading Center with 100% of foreign capital (US\$ 524.5 million, accounting for 66.7% of the total invested capital); detergent and shampoo manufacturing project with invested capital of US\$ 36.6 million of Lever Viso Company; Sam Sung Vina Company's project of producing electronic goods with invested capital of US\$ 36.5 million.

The leading investors are Singapore, 9 projects with US\$ 113.7 million; South Korea, 5 projects with US\$ 44.4 million; Hong Kong, 2 projects with US\$ 32.5 million; Japan, 2 projects with US\$ 20.4 million. Taiwan is the investor of the September 23 Park project with invested capital of US\$ 524.5 million.

By the end of the first quarter of this year, the effective foreign investment projects totalled 379 in HCMC, with total invested capital of US\$ 4,474 million, of which US\$ 1,187 million derived from central projects, US\$ 3,286 million from local ones. The legal capital of 379 projects reached US\$ 2,278 million, 75% of which was pooled by foreign partners, an average of US\$ 12 million per project. There are 270 projects in form of joint venture, 84 in 100% of foreign capital and 24 in cooperation. Their major investors came from Asian countries such as Hong Kong with 65 projects, Taiwan 60, South Korea 51, Singapore 45, Japan 21. The following are France with 6 projects, the UK 6, the Netherlands 6, America 5.

In general, although the investment pace in HCMC in the first quarter is slower than that last year (29 projects with US\$ 423 million in the first quarter of 1994) but the investment capital increased by 85% compared with the same period. In addition there are 762 representative offices of foreign companies in HCMC with registered staff of 3,833 people, of which 1,177 are foreigners. Most establishments belong to such countries as Singapore (121), Hong Kong (106), Japan (89), France (60), South Korea (48), Taiwan (43), the US (42), Thailand (41).

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Source: The HCMC Statistics Bureau's Report on Socio-Economic Situation in the First Quarter of 1995