



A LOOK BACK ON DEVELOPMENT OF MANAGEMENT ACCOUNTING IN VIETNAMESE COMPANIES

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The management accounting wasn't introduced to Vietnam before 1993 although it came into being in the 1930s. Thus, the history of management accounting in Vietnam is very short, seven years in comparison with some 70 years. But it could develop faster and keep pace with new developments by taking a short cut.

Looking back on the application of management accounting to business management in Vietnam, we saw that it had hardly been in use. There are many causes of this situation: most Vietnamese companies are too small to feel a need for management accounting; many of them still operate under the subsidizing mechanism; and most accountants aren't well

trained, to name but a few. Anyway, this situation has led to an inert way of management.

In running a company, managers should study necessary information before making a business decision. The main source of information comes from management accountants. In Vietnam, however, many managers aren't aware of, or didn't pay attention to, this source of information. Moreover, the old management mechanism prevents most managers of state-run companies from making business decisions by their own. In our opinion, the management accounting hasn't been developed in Vietnam in the past few years because of the following causes:

(1) Vietnamese accounting methods origi-

nated from the accounting systems in socialist countries and developed for a long time under the centrally-planned economy. The present management mechanism in Vietnamese state-run companies still bear the marks of the subsidizing mechanism which requires no opportune decision to avoid losses because they get financial support from the State. When there is a large stock of unsaleable goods, the manager of a state-run company never decides to sell them at a cut price in order to reduce losses. They are ready to keep these goods in stock and blame the management mechanism for all losses because nobody forces him to bear responsibility for it.

In such a management mechanism, there is no

need for management accounting. When the subsidizing mechanism ceases to exist, all companies are in competition against one another, managers will have to make timely decisions depending on necessary information. And it's only the management accounting that could provide them with such information.

Besides state-run companies and foreign-invested businesses, most private ones are of small scale. They feel no need for management accounting and only pay attention to financial accounting that helps them prepare financial statement and tax declaration.

In short, the reality in Vietnam hasn't made companies feel the need for management accounting,

therefore this business has no chance to develop.

(2) Old accounting system didn't distinguish management accounting from financial one. Accountants, when handling business data and financial documents, also do some jobs of management accounting, such as keeping a close watch on expenditures, calculating production cost of each product and working out profit and loss of each operation, etc. Thus, present accounting departments could supply part of management information to

radical changes in the managing machinery, especially in the management accounting.

(4) In universities - source of new knowledge for managers- where many positive changes occurred in the past few years, there are still some shortcomings: methodologies develop slower than those in foreign universities; exchange of accounting studies between Vietnamese and foreign universities is rare; and Vietnamese universities fail to facilitate development of accounting business.

years. To help it develop better, we suggest the following measures:

- Building a system of courses in management accounting, from basic to advanced levels, based on foreign achievements in this field: At present, the methodology of management accounting in Vietnam isn't perfect and there is no clear borderline between financial accounting and management accounting. Only basic courses in management accounting are available and there is no advanced one. Universities and institutes should

carried out overnight. In Vietnam, the Ministry of Finance should play the leading role in developing the financial and accounting systems. With help from this ministry, the management accounting could be first introduced to state-run companies, and then, to private ones.

- Training a new generation of accountants and retraining old ones: To achieve this aim, we need an army of good professors. Good students could be sent abroad to make graduate studies of this field and professors could



managers. Most local managers today feel content with this information because it is suitable to the size of operation and their skill level. That is why they have never thought of reform in the accounting department as long as it could supply what they need.

(3) Skill level of most accountants is low. Many of them, especially those who work for state-run companies, had been trained in the period before the management accounting was introduced to Vietnam. The rest were trained later and had some knowledge of this field but they couldn't hold important positions in companies, so they couldn't effect

(5) There is no support from the State to accounting studies (of the amount of students sent abroad to make their studies, few of them specialized in accounting). There is almost no order for a research on accounting. Relations between universities and ministries are loose. The Association of Accountants, after some excitements of reform in the system of accounts, has almost no operation now and its relations with ministries and other governmental bodies aren't supportive.

These causes have made the management accounting develop much slowly in both theoretical and practical aspects for

play their roles in perfecting the methodology of this science. Without support from the Ministry of Finance, however, these researches will be purely academic. The Ministry of Finance, by placing orders to universities, could accelerate applied researches.

- Building a new model of accounting department in companies: In a common accounting department, financial and management accounting aren't distinguished and there is no model for the management accounting. So it's necessary to reorganize this department and improve it gradually. But it's hard to reform this department when there is no legal basis. This reform couldn't be

join exchange programs in cooperation with foreign universities.

- More opportunities for young accountants: The accounting machinery, like other managing bodies, is ageing. Young accountants should be promoted to leading positions because they are trained better and capable of absorbing new scientific achievements and using computer to handle information, especially accounting data.

In our opinion, the information system of management accounting is one of indispensable instruments for a company. Improvements in this field will certainly enhance the company's performance. ■