

In order to meet demand for renovation of eco-financial management mechanism in Vietnam, the Ministry of Finance issued Decision No 1205 TC/CĐKT on Dec 14, 1995 promulgating "The system of accounts for business", Decision No 1206 TC/CĐKT on "The system of periodical accounting report" and Circular No 113 TC/CĐKT on "Guidance for making new books applying the new system of accounts in businesses".

The new system of accounts for business included 71 accounts which were grouped in 9 classes, each accounts had a code of three digits from 111 to 911. Accounts of 3-digit code are first level accounts. In each first level accounts, there are many accounts of second level which give more detailed information about that accounts of first level. The second-level accounts have code of four digits and



accounts in business. Therefore the Ministry of Finance should soon promulgate accounting principles and standards and accounting regulations. In applying these accounting principles and regulations, every generating problem will be gradually solved if need be.

- In an accounting system, there is a system of initial vouchers, a system of accounts, a system of account books (accounting form) and a system of accounting reports. In accounting reformation, these four systems should be reformed. In Vietnam, only two systems were promulgated (system of accounts and system of accounting statements), thus the Ministry of Finance should add the system of initial documents and the system of account books to the accounting system before promulgating it.

In order to help businesses keep

CAN THE NEW ACCOUNTING SYSTEM BE APPLIED AS FROM JULY, 1995?

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the three first digits are the same as that of the first-level account. Besides, there are 6 outside-of-balance-sheet accounts having codes numbered from 001 to 008.

Targets of accounting reformation this time are to make it appropriate to Vietnam's development orientation and mechanism for management and compatible to international standards and practices, to make it simpler and capable of meeting demand of users of accounting information (managers, inspectors, business people, etc.) and of being computerized.

Before promulgation of the accounting system (including the system of accounts and system of reports) the Ministry of Finance has made a draft which was discussed among the Board of Accounting Reformation and many economic, financial and accounting experts. These discussions analyzed many aspects of the draft, from targets, logical basis, realities, foreign experience to contents and conditions for realizing this draft. The classification of the new system of accounts was done in order of the circulation of capital, from fixed capital to working capital, from debt to owner's capital, from short term to long term. Two methods of making inventory of assets were used. They are the constant and periodical inventorying methods which are similar to the American accounting.

This accounting reformation, compared with the last one (1990),

makes many changes to the contents and structure of accounts and accounting methods. In the system of periodical accounting statements, besides the balance sheet and operating result report, there is the money transaction report giving information about formation and employment of money generated during a period. By this report, one can find out business' ability to make money, main transactions influencing its ability of settling debts and its need of cash in next period.

Introducing such a system of accounts is a right deed, but is this system perfect? Can it be officially promulgated in July 1995? In my opinion, we should quickly prepare the following conditions before its promulgation:

- In any country, the accounting system should be based on a well-established financial mechanism. In Vietnam today, there aren't enough of clear regulations on financial activities so the keeping of accounts in business will meet difficulties. Thus, we should make strict regulations on financial activities of state-owned, private and joint venture businesses. These regulations will serve as bases for tax assessing, struggling against tax avoidance and evasion. This task should be completed as soon as possible.

- Accounting principles and standards: In Vietnam, the Accounting regulation wasn't perfect enough to serve as a basis for the keeping of

their accounts or computerize their accounting, and help tax and financial agencies control financial activities of business, the Ministry of Finance had better stipulate some compulsory vouchers. Other vouchers will be made by each branch and submitted to the Ministry of Finance for approval. As for the system of account books, the Ministry of Finance should stipulate an identical system (it could be a combination of general journals and voucher books).

- Some accounting methods promulgated along with the new accounting system should be perfected in order to make the accounting stricter, for example, accounting of original cost of fixed assets, accounting of investment in shares, etc.

- Contents and structure of some accounts should be clarified (accounts 142, 221, 325, 328, 421, 422, 631 for example). Some other accounts should be added to the system.

- The system of periodical accounting reports should be studied more profoundly, especially the money transaction report.

Promulgating a new accounting system in a background of economic renovation and international détente is an urgent matter, but an accounting regulation and other systems should be promulgated along with the system of accounts and the system of accounting reports. In an urgent situation, shortcomings are acceptable but they should be corrected when the system is applied to the economy ■