

## Notable contents of the new Law on Accounting effective from 1 January 2017

The Law on Accounting was first enacted on 2003, replacing the Ordinance on Accounting and Statistics and made significant impact to uniformly manage the accounting, ensuring that accounting be a tool for managing and supervising closely and efficiently all economic and financial activities, supplying information in a complete, truthful, timely, public and transparent manners, thereby meeting the organization, management and administration requirements of State agencies, enterprises, organizations and individuals.

With such a same objective, the Law on Accounting 2015 has been issued, replacing the Law on Accounting 2003 and has some updated points to be in accordance with the practices of accounting. We would like to summarize notable contents of Law on Accounting 2015 as below:

### 1. Accounting principles

- Values of assets and liabilities must be recorded according to their original prices. After being initially recorded, regarding certain types of assets and liabilities whose values fluctuate according to market prices and can be reliably re-determined, these assets and liabilities **can be recorded according to reasonable values at the end of the financial statement period.** (Previously, Law on Accounting 2003 did not regulate the reasonable values).

### 2. Evaluation and recording according to reasonable value

- Assets and liabilities to be evaluated and recorded according to their reasonable values at the end of the financial statement period include:
  - i> Financial instruments required by accounting standards to be recorded and re-evaluated according to their reasonable values;
  - ii> Accounts derived from foreign currencies at actual exchange rates;

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- iii> Other assets and liabilities whose values regularly fluctuate and required by accounting standards to be re-evaluated according to their reasonable values.
- Re-evaluation of assets and liabilities according to their reasonable values must be well founded. If the values cannot be reliably determined, assets and liabilities shall be recorded at their original prices;
- The Ministry of Finance shall regulates assets and liabilities to be recorded and re-evaluated according to reasonable values, accounting method for recording and re-evaluating according to reasonable values.

### 3. Prohibited acts

- Bribing, threatening, repressing, forcing accountants to do accounting works against this Law;
- Establishing two or more accounting book systems or providing, publishing financial statements that contain inconsistent data in the same accounting period.

### 4. Electronic records

- Electronic records must ensure security and integrity of data and information being used and stored, be managed and inspected to avoid illegal access, duplication, or piracy. Electronic records are managed as if accounting documents in original forms when they are created, sent, or received, provided there are suitable devices for using them;
- When a physical record is converted into an electronic one and vice versa, the electronic may be used for making the economic/financial transaction; the physical record is only for retention, not for making transactions or payments.

### 5. Signing accounting records

- Accounting records must be signed with **indelible ink** (*Previously, Law on Accounting 2003 only regulate that accounting records must be signed by pen*).
- Signatures on electronic records are as valid as signatures on physical records (*Previously, Law on Accounting 2003 did not regulate this point*).

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## 6. Audit of financial statements

- Financial statements of accounting units that are, by law, required to be audited must be audited before they are submitted to competent authorities and published;
- Audited accounting units shall comply with regulations of law on audit;
- Audited financial statements of accounting units must be enclosed with audit reports when being submitted to competent authorities.

## 7. Internal control and audit

- Internal control means establishment and implementation of internal mechanism, policies, procedures, and regulations conformable with law meant to prevent, discover, and deal with the risks and meet the set requirements;
- Each accounting unit must establish an internal control system to meet the following requirements:
  - i> Its assets are protected from improper and inefficient use;
  - ii> The transactions are approved *intra vires* and fully recorded as the basis for making and presenting truthful and reasonable financial statements.
- Internal audit means inspection, assessment, and supervision of the completeness, appropriateness, and effectiveness of internal control;
- Objectives of internal audit:
  - i> Inspect the compatibility, effectiveness, and efficiency of the internal control system;
  - ii> Inspect and certify the quality, reliability of economic and financial information of the financial statement and administrative accounting report before they are submitted;
  - iii> Inspect the adherence to the rules for operation, management, observance of law, regulations on finance, accounting, policies, resolutions, and decisions of the heads of the accounting unit;
  - iv> Discover weaknesses in the management system; propose solutions for improvement of the management system of the accounting unit.

Law on Accounting 2015 shall come into effect since 1 January 2017.

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